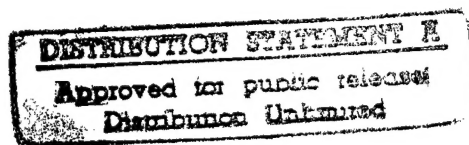


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2 JULY 1992



**FOREIGN  
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# ***JPRS Report***



# **East Europe**

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# East Europe

JPRS-EER-92-084

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**Ties Between Bulgarians, Moldova's Gagauz**  
*92BA0972A Sofia DUMA in Bulgarian 6 May p 7*

[Interview with Prof. Grigoriy Topuzlu, rector of Komrat University in Moldova, by Boris Dankov; place and date not given: "Bulgarians and Gagauz Have a Common Historical and Spiritual Fate"]

[Text] [Dankov] The coexistence of Bulgarians and Gagauz in Moldova is well known. Could you tell a little more about their historical connection?

[Topuzlu] They migrated from Bulgaria between 1806 and 1812. At that time, the territory where they now live was liberated from the Ottoman Empire. Their migration continued until almost 1840. The czarist government granted them land with guaranteed rights. And Bulgarians and Gagauz have coexisted on this land for nearly 200 years. Today approximately 500,000 Bulgarians and over 200,000 Gagauz live in this territory.

I know the history of these two communities well. There has never been friction in their coexistence. Together they settled here. Together they transformed this land. And together they live there today. It is a different problem when certain forces try to set Bulgarians against Gagauz and to benefit from this.

[Dankov] Some scholars maintain that the roots of Bulgarians and Gagauz are interwoven into the distant past. What is the truth?

[Topuzlu] That is an exceptionally interesting and complex question. To give an exact answer, in-depth studies are necessary. It is necessary to open the secret archives of Turkey in order to learn the truth.

As far as Gagauz is concerned, it is the only Turkish-speaking nation to profess Orthodox Christianity. Its customs and traditions are like the Bulgarian ones. Even its cuisine is the same as the Bulgarian. If there is any difference, it is only in the language.

[Dankov] In Bulgaria, we know of the creation of the Gagauz Republic. On what basis was it built?

[Topuzlu] On the basis of the local population. That is why, when the idea for its creation first arose, there was a proposal to call the republic Budzhak.

[Dankov] How is that?

[Topuzlu] Bulgarian-Gagauz Republic. Unfortunately, frictions arose among the intelligentsia of the two communities, which thwarted the idea. And today it is called the Gagauz Republic.

[Dankov] Someone's interests are probably hidden behind that.

[Topuzlu] Yes, the principle "Divide and conquer" is as old as the world, and it is applied logically to the Bulgarians and the Gagauz living in Moldova. I do not think Russia or Ukraine are behind this game. They are

quite occupied with their "personal problems." Turkey looks out toward Central Asia and behind the Caucasus, while not letting the Balkans out of their sight. The same cannot be said of Romania, which does not conceal its appetite for Moldova without recognizing its ethnic heterogeneity. And, as far as Bulgaria is concerned, if you'll excuse my saying so, it does not display any interest. I have the feeling that Bulgaria is concerned with domestic problems to such a degree that it has forgotten its fellow countrymen in Moldova.

[Dankov] And how could Bulgaria help them?

[Topuzlu] First, with personnel, who could participate in the creation of Bulgarian schools. Second, Bulgaria could support their morale aspect, by ensuring access to Bulgarian television programming. This is technologically entirely possible.

In the third place, this support could be expressed as well in concrete foreign political steps, which are at present lacking. For example, when the issue of the Gagauz Republic is discussed, why shouldn't a representative from Bulgaria also sit at the negotiating table along with the representatives from Russia, Ukraine, Moldova, and Romania? This question naturally arises among Bulgarians living in Moldova. They ask themselves, "Do we have a homeland, or has it forgotten us?"

[Dankov] You are one of the founders of the first Bulgarian-Gagauz university. What are its goals and missions?

[Topuzlu] Komrat University was established last year. Nearly 500 students now study there, and the number is expected to reach 2,000. The university has four departments—economics, law, technical, and national. In the latter school, the chief subjects are the Bulgarian language and literature and the Gagauz language, literature, history, and culture.

[Dankov] Surely you have met some difficulties in this pioneer effort?

[Topuzlu] The difficulties arise first of all from the difficult time in which we live, from the general insecurity and instability in the country. Universities from the former Soviet Union, as well as from other countries, were helpful to us. We signed protocols for cooperation with Odessa University, with St. Kliment Ohridski University in Sofia, and with Istanbul University. Several days ago, we were given a library with books from the Union of Bulgarian writers.

[Dankov] You mentioned the difficult conditions facing Bulgarians and Gagauz. What is characteristic of the political situation in Moldova at present?

[Topuzlu] That is an extremely complex question. Over the course of a long time, serious ethnic and social problems have accumulated here, which can only be solved by political means. If this does not happen, civil war is inevitable. It makes no difference whether it goes

as far as a Lebanese or a Karabakh variant. If the contradictions are not eliminated, the result will be the same.

[Dankov] In your opinion, what is the greatest danger that could destabilize the equilibrium?

[Topuzlu] After the collapse of the USSR, Moldova became an independent state, but, along with that, voices began to be heard concerning its annexation to Romania. That would mean it would become a province, as it was during 1918 and 1940. The forces that urge Romania's absorption of Moldova do not have great support, but they control the mass media and manipulate popular opinion. Such an absorption of Moldova by Romania would mean a break in the Helsinki process, a destabilization with unforeseeable consequences.

[Dankov] And how would Bulgarians and Gagauz react to such a situation, in your opinion?

[Topuzlu] If it reaches that point, there is not a shadow of a doubt that drastic opposition would follow. This is inevitable. The people will not allow themselves to be "broken." And, in this respect, I think no one should harbor illusions.

[Dankov] What do you have in mind, more specifically?

[Topuzlu] That a nation itself creates its own history. I think this maxim is not outdated even today. In the final analysis, a nation finds its own way out of a situation that has arisen. Those politicians and leaders who can pull the nation out of the quagmire of problems are pushed forward. And those problems are truly immense. The national problems, the serious condition of the economy, and hyperinflation are turned into an explosive mix. It is necessary to avoid a social explosion. Otherwise, civil war is almost inevitable.

[Dankov] How do you address the changes in CIS [Commonwealth of Independent States] and Eastern Europe?

[Topuzlu] I think every reform must be deeply thought out and planned because, otherwise, such chaos and lawlessness, such anarchy could arise that the life of an entire generation could not emerge from it. This is already almost the case here. I do not know how it is in Bulgaria, but the structures here have not functioned for a long time. Production has fallen. Instead of a market economy, an uncontrolled market and progressive degradation are at hand.

But the most horrible thing, in my opinion, is that the evil spirit of nationalism was let out of the bottle. Some people substitute the concepts when they speak of a national revival, but that does not alter the essence of things. The worst thing is the egotism of one nation at the expense of another. Disgraceful is the hate that is sown between nations. I think that, in this respect, Bulgarians and Gagauz are an example of coexistence and mutual support.

### SDS Assembly Chairman on Relations With Turkey

92BA1005A Sofia PRAVA I SVOBODI in Bulgarian  
8 May 92 pp 1, 3

[Interview with Aleksandur Yordanov, chairman of the Union of Democratic Forces parliamentary group, by Krasimira Vasileva; place and date not given: "A Wide Field for General Economic Activities"]

[Text] Aleksandur Yordanov and Ahmed Dogan visited the Republic of Turkey at the invitation of the chairman of the Great National Assembly of the Republic of Turkey, His Excellency Hyusametdin Dzhindoruk. The invitation was sent to the parliamentary majority, respectively to the representatives of the parliamentary groups of the SDS [Union of Democratic Forces] and the DPS [Movement for Rights and Freedoms]. The invitation was in connection with 23 April, the holiday of the sovereignty of the Republic of Turkey and the 72d anniversary of the establishment of the first Great National Assembly there. All Asiatic republics of the former Soviet Union, Russia, Ukraine, and the Balkan countries Bulgaria, Macedonia, Slovenia, Croatia, Albania, and Romania took part in the festivities on this occasion this year.

[Vasileva] How did your visit to the Republic of Turkey go?

[Yordanov] The visit had two sides. The first was festive and official, connected with the celebration of the anniversary, and the second was a series of meetings with both Turkish political leaders and leaders of the other democracies that took part in the anniversary.

The basic directions were revealed between the many and diverse meetings with the president of the parliament, Mr. Dzhindoruk, with the president of the Committee on Foreign Policy, Mr. Ali Dincher, and with the leaders of the delegations from Macedonia, Slovenia, Albania, Russia, Ukraine, and others. The first concerns the state of Bulgarian-Turkish relations, the solved and unsolved problems between our two countries. The second direction is the future of the Balkan region.

At the moment, relations between Bulgaria and Turkey are an example of neighborliness. This was emphasized by both Mr. Dzhindoruk and the prime minister of Turkey, Syuleyman Demirel, and by the president of the largest opposition party, Mr. Mesut Yulmaz. As a Bulgarian delegation, we received great hospitality. In the Turkish parliament and among the leaderships of certain Turkish parties, there are individuals who were born in Bulgaria and lived there for a long time. The leading political figures in Turkey as a whole behave very favorably toward Bulgaria and are ready to collaborate for certain closer economic relations between our two countries. It is especially important to note that, in all meetings and conversations I had and in the opinions and views I expressed, I was entirely supported by Mr. Ahmed Dogan. Representatives of the Bulgarian



Embassy in Ankara were present at these meetings and conversations as our advisers.

In practice, Bulgaria and Turkey have a very wide field for common economic activities. It is not necessary for a man to be an economist to notice the enormous economic progress in the Republic of Turkey. The largest European and U.S. companies have serious investments in this country. We visited the military factory for F-16 fighter bombers and other industrial establishments. The economic progress is beyond any doubt. Thus, bilateral collaboration is desirable.

The real direction of the conversations was connected with the future of the entire region. The representatives of the meetings of the countries of the former Soviet Union (Central Asia) clearly declared their intentions for an active collaboration with the Republic of Turkey. To a great degree, they see this collaboration as an obstacle to Islamic fundamentalism, which is finding an ever-increasing place in these countries. The Turkish side put forward the idea for the formation of a new economic community, including both these Asiatic countries as well as Russia, Ukraine, and the Balkan states. Here my opinion differs from the opinion of Mr. Dzhindoruk. I think Bulgaria should not be included in any other economic union except for the European Economic Community, especially since it is a matter of joining with countries that are economically backward, such as the former Soviet republics. In my speech, I declared that the path of Bulgaria is a path toward Europe, and along it we will defend bilateral relations with other countries but decisively refuse to participate in other economic blocs. In conversations with the delegates of Macedonia, Albania, and Slovenia, I understood that they also have the same concept.

[Vasileva] In your opinion, what are the problems of the Bulgarians living in Turkey, and what, in particular, is the situation with the suspension of the Bulgarian hospital?

[Yordanov] Many problems, the majority of which are inherited from the past, have built up in Bulgarian-Turkish relations. In the past, the Bulgarian government did not succeed in defending the interests of our fellow citizens in the Republic of Turkey sufficiently convincingly. As a result of a typically bureaucratic blunder on the part of our former Foreign Ministry, the Bulgarian hospital in Istanbul came to be suspended by the Turkish side. Also, the payment of funds for St. Stefan Church, the Bulgarian exarchate, and the convent was interrupted. All these lights of the Bulgarian spirit are in tragic condition. Many rapid and decisive measures on the part of the finance minister, the Ministry of Foreign Affairs, and the social organizations in Bulgaria are necessary in order to save, restore, and preserve for future generations all cultural and religious monuments connected with Bulgarian history located in the Republic of Turkey. Namely, after I learned about the problems of the Bulgarian colony in Istanbul and, as president of the Commission on Foreign Policy, recognizing the problems of Bulgarians in other countries, too, I came to the

conclusion that we should no longer put off the creation of a special government agency, and that it would best be a ministry that would deal with the problems of our countrymen beyond the borders of Bulgaria. This will be the expression of real concern for the future of the Bulgarian nation.

## National Transportation System Analyzed

### Danube Bridges

92BA0971A Sofia IKONOMICHESKI ZHIVOT  
in Bulgarian 1 Apr 92 p 4

[Article by Vasil Doykov: "Where Do We Build a New Bridge Over the Danube?"]

[Text] *A problem that affects Ukraine and Russia, Macedonia and Albania, Greece and Turkey*

Where is it possible to build a second bridge on the Danube?

The Danube bridge between Bulgaria and Romania in the region of the cities of Ruse and Pogrevo is the biggest one on the great river, in two stories, for railroad and automobile traffic. It is consistent with the main trends in the Romanian and the Bulgarian highway and railroad network. It has reached the limit of its capacity. It can no longer respond to the new demands—for the increasing capabilities of the Danube port in connection with the beginning of operation of the Rhein-Main-Danube canal connection, or the orientation of the economy of the countries of the Danube Valley toward Western Europe, as well as of the increasing cargoes from Western and Central Europe to the Middle East.

All of this calls for the construction of a new bridge between Bulgaria and Romania.

Suitable places for such a bridge are Vidin-Calafat, Oryakhovo-Bechetu, Svishtov-Zimnicea, Silistra-Calarasi, as well as along the wall of the planned Nikopol-Turnu Magurele reservoir in the area of Belene and Cioara.

Each of these points has its advantages, but they must be analyzed in complex fashion, in connection with the entire highway and railroad network. In the article in the journal BORBA, from Veliko Turnovo, the question of a bridge in the Svishtov-Zimnicea region is looked at from the point of view of the necessity of finding work for the workers from the discontinued construction of the Belene nuclear power plant and using their construction vehicles and equipment. But the construction of such a bridge will necessitate the implementation of the plan for drilling a tunnel under the Stara Planina at the village of Khristo Danovo—a continuation of the Svishtov-Levski-Troyan line.

If the bridge is built in the region of the cities of Silistra-Calarasi (a very old plan), a Samnir-Razgrad-Popovo railroad connection will have to be made, and, in this way, the direct connection of Silistra-Gorna Oryakhovitsa. This answers the desire for a more direct connection from Russia, Ukraine, Moldova, and Romania to Macedonia and Albania—through Bulgaria and from there to Italy and Greece.

Perhaps the most suitable location is the Vidin-Calafat point, where there is now a ferryboat connection for automobiles and railroad cars, a duty-free zone, a roll-on/roll-off terminal, and docks for four ferryboat catamarans for transporting trailers and containers to Germany and Austria (Passau and Linz). This possible bridge will justify even more the plan for a new railroad line from Vidin to Sofia through Petrokhan.

Until one of these projects or another is decided upon and implemented, it could be possible to increase the throughput of the Ruse-Pogrevo bridge by reconstruction and to continue the railroad and highway connection from Podkova (Momchilgrad) through the Greek border to Komotini (Gyumyurdzhina)—comparatively the cheapest and the fastest connection between the Danube and the White Sea to implement. This connection also answers the interests of a number of countries—Russia, Ukraine, Moldova, and Romania—for goods to Greece, Turkey, and the countries of the Middle East and North Africa.

### Financing of Roads

92BA0971B Sofia IKONOMICHESKI ZHIVOT  
in Bulgarian 6 May 92 p 14

[Article by Evgeni Stanev and Nikolay Lambrev of the Main Administration for Roads: "Who Must Finance the Highway Network of the Republic?"]

[Text] The existence of strong Pan-European integration tendencies after 1989, leading to the building of a single Europe, creates new conditions and the need for standardization and adequate equalization even in the area of the road-transportation systems and structures of individual European countries, including the Republic of Bulgaria.

The condition and the future development of the technical infrastructure of motor-vehicle transportation is a reflection and function of the economy of the country, the type and volume of the internal and external transportation connections, the overall improvement of the national transportation system, and the role of motor-vehicle transportation.

The length and the classification of the road network of the Republic of Bulgaria are shown in the table.

Thus developed, the network ensures practical road connections to almost all populated places, the number

of which is approximately 5,400. Only 100 small populated places are not connected with motor-vehicle roads corresponding to the standard requirements.

In keeping with the European agreement for international highways of 1975, some of the national roads (primarily first class) are included in the European road network and represent the main directions along which the intensive motor-vehicle transport activity between Western and Eastern Europe and to the Middle East, resulting from the geographical position of our country, is carried out. On the territory of the Republic of Bulgaria, there are nine European roads marked "E," with a total length of 2,506 km (Fig. 1 [not reproduced here]).

International roads are subject to specific general technical requirements connected with security of movement, environmental protection, unobstructed flow of transport, and comfort of the travelers.

The restructuring of the transportation maps of the continent taking place at the present time affects more obviously the Calotino-Sofia-Kapitan Andreevo (E80), Vidin-Sofia-Kulata (E79), and Ruse-Stara Zagora-Kurdzhali-Makaza (E85) directions.

Together with nine other countries, Bulgaria participates in the plan for the "North-South" Trans-European Highway (TEM), which arose under the aegis of the United Nations Economic Commission for Europe (ECE) in 1977. In the case of the construction of the parts of this highway on Bulgarian territory, Kalotino-Sofia-Plovdiv-Kapitan Andreevo and Svilengrad and the border with the Republic of Greece, our country is observing all standard requirements internationally accepted for this plan.

Greece continues to express its interest in securing more rapid and convenient combined transportation between Thessalonika, the Danube River, and the Rhein-Main-Danube canal (which is expected to be put into operation after 22 September 1992). This will force reconstruction and modernization of the E79 road on Bulgarian territory, including the tunnel through the Stara Planina under Petrokhan.

Romania points out the necessity of ensuring a fast and convenient route across the Danube River, Bulgaria, and Greece to the Aegean Port of Alexandroupolis, again from the point of view of combined conveyances in the "North-South" direction. This means a definite reconstruction and modernization of the E85 road on Bulgarian territory, with construction of a tunnel through the Stara Planina under Shipka.

The idea of creating a high-speed "Atlantic-Ural" road connection probably will require completion of the reconstruction and the modernization of the remaining part of the Sofia-Ruse route, and perhaps also Vidin-Mikhaylovgrad-Pleven.

The overall evaluation of the European road network on Bulgarian territory with respect to the throughput and the probable time when it will reach its limit at the "C" level of service (that is, using a maximum of up to 75 percent of the throughput of the corresponding road) is built on the long-term prediction for development of motor-vehicle traffic, compiled according to data from its general profile census in 1985. The analysis shows that, for the prevailing length of the roads, this period will begin after 2005.

The roads leading to closed border points for a long time were left without repair and maintenance and currently are found in very bad condition. The road connections to the border-control checkpoints that have not ceased to function are in relatively good technical-operating condition.

According to the preamble and Article 1 of the European agreement for international highways, the Trans-European Highway (TEM) is a plan for a close network, called "International Network 'E,'" as a coordinated plan for constructing and equipping roads, which are of international interest and which the countries intend to fulfill within the framework of their national programs. These countries recognize the necessity of facilitating and developing the international road traffic in Europe and take cognizance of the fact that, in order to ensure and improve the ties between the European countries, it is important to provide a coordinated plan for the construction and reconstruction of roads suitable for the requirements of international traffic.

The currently proposed system of direct financing with funds from the state budget is insufficiently effective in connection with the fact that it is very important to make a competent decision concerning the means of financing the construction, repair, and maintenance of the Republic road network. It leads to a serious delay in the construction of the highways, to prolonging the periods between repair of the roads, and to general progressive deterioration of the technical and operational condition of the road network. Its basic drawbacks are as follows: —The revenues from all automobile duties, excises, and taxes centralized in the national budget significantly exceed the funds released for development and maintenance of the road network. —The revenues from the automobile duties and excises (including the excise on fuel) are not targeted for development and maintenance of the road network. —The funds released for development and maintenance of the road network do not correspond to the real needs because, in practice, they satisfy approximately 40 percent of them. This deepens even more the disproportion between the condition of the road network and the demands on motor-vehicle transportation.

In the conditions of the strengthening market economy, in our opinion it is necessary to create a specialized "Republic road network" fund. The revenue for it may be collected through the state budget as part of those of its revenue sources that are connected directly with the use of the road network. It is expedient to take as

revenue 30 percent from the excise on fuel for motor-vehicle transportation facilities, 20 percent from the tariff on imported automobiles, the full measure of the taxes for using the national road network by motor vehicles, 80 percent of the road duty from the motor-transport vehicles with Bulgarian registration, and all fines for improper use of the roads.

This plan is brought to the attention of the parliament and the Bulgarian Government. The government already has decided to participate in the associations and the consortiums, as well as in the plans for building roads and the roadside infrastructure, including those involving the participation of foreign partners and capital. The creation of the "Republic road network" fund will contribute to the highest degree to the efficient development of the basic roads of the country and maintaining them in good working condition, and will ensure efficacious integration of the country into the European Transportation infrastructure.

#### Length of the Highway Network

Main highways	273.4km	0.74%
First-class roads	2,932.8km	7.94%
Second-class roads	3,798.0km	10.29%
Third-class roads	6,262.6km	16.96%
Fourth-class roads	23,467.4km	63.56%
Road junctions	187.8km	0.51
	36,922.0km	100.00%

#### Construction

92BA0971C Sofia DUMA in Bulgarian 7 May 92 p 6

[Article by Krasimir Tsigularov: "Alternative Plans Offer Acceleration of Transportation Construction"]

[Text] *Magically, the tentative Vidin-Calafat transport center recently has increasingly entered the field of vision of the experts discussing the future transportation-construction policy of our country. Preliminary analyses show that the interest of potential Western investors in the prospective infrastructural plans is great. In addition to the Kalotina-Kapitan Andreevo Highway, which is in the last phase of preparation for construction, a highway and railroad connection from Vidin through Sofia to Greece is in the plans for the near future. German companies are manifesting an appetite for the construction of a bridge over the Danube in the region of Vidin, and the townships of Vidin and Calafat already have reached an understanding for joint work. At the same time, the planning for a passage through the Stara Planina under Petrokhan with highway and railway tunnels is proceeding.*

Nothing new has happened, maintains architect Dimo Angelov. That is the project: I tried to build 30 to 40 years ago. At that time, things were blocked because of the Romanians. I do not know why. Now everyone seems to agree with the need for fast work, but, still, efforts are directed in only one direction, there are no alternative

plans, there are not sufficient versions from which to choose the most promising one and the most economical one, he says.

According to Dimo Angelov, "Putproekt" envisions altogether 30 kilometers of tunnels under Petrokhan, while the tunnel under the English Channel is 50. Only that there is nowhere else to go, but here there are other possibilities, he adds. His layout envisions only one 3.5-km tunnel; the maximum elevation for crossing the mountain is at 800 meters above sea level, as opposed to the 1,100 of "Putproekt." At a cost of approximately 200,000 leva for digging 1 linear meter of tunnel, the difference in the costs of the two versions would be very great. It can be used for the bridge itself, or even for the railroad bed from Mezdra through Botevgrad to Panagyurishte and Plovdiv.

Even in this proposal, the new project is taken from the forgotten old files. Dimo Angelov proposed that this line be constructed with the money that would be left as a result of taking another route for the "Khemus" highway. It avoided the tunnels at Vitinya, Zelin, and Pravets. This one that is being constructed now on the other side of Pravets is simply a crime, the architect maintains. There simply is no need for a tunnel there. However, in its time, the 1960's and the 1970's, the Politburo determined the policy according to the proposal of the planning committee. And people without any vision for the future worked on the committee. They were not interested in real problems, they wanted to go from one place to another. And the planners did not dare to come forward. When the secretariat says to you I want a road from here, you answer that it's possible, Dimo Angelov explains.

There is also a similar danger today—in these hard times of no money, when it is necessary to find projects quickly, to attract investors, to develop that infrastructure that will work for decades in the future. It is easy to make a quick decision without an alternative and to take account of decent possibilities later. On the other hand, a group of specialists for several years has stubbornly made the rounds of the Ministries of Transportation and Construction, with the single idea of having different alternatives discussed, of making a careful analysis of the advantages and disadvantages, the cost and the necessary time. In the final analysis, it is of no little importance for the potential investor to know how long it will take before the object begins to pay off.

Dimo Angelov himself completed his education in Prague quite a while before 1944. He was a chief architect of the People's Republic. He was fired from his position because of a disagreement with the place chosen for the construction of the Chemical Combine near Stara Zagora and the Tin and Zinc Plant near Plovdiv. Before that, he succeeded in diverting the construction of the Eastern Marish thermoelectric plants from Stara Zagora itself, designed the bridge over the Danube near Ruse, and succeeded in getting the ferryboat facilities at Vidin moved and then expanded. And there is one more reason for grief in his biography—the proposal to pass the "Trakiya" highway behind Kharmanli through Sakar and Grudovo to Tsarevo and Burgas in order not to duplicate already existing roads. It proved to be a voice in the wilderness.

There are a number of young colleagues who support me now, Dimo Angelov asserts. Many people are in agreement that, instead of duplicating the line from Vidin to Sofia, it is more promising for us to build it through Panagyurishte to Plovdiv. If a bridge is built at Vidin, this is a direct connection to Europe from the Middle East. The interest in the route is great, it is shorter, and the turnover of goods along it is expected to increase in the very near future. The events in Yugoslavia, the opening of the Rhein-Main-Danube canal, the overtures on the part of the Middle East and Central Asiatic countries increase the possibilities for receiving transit and combined goods. They are the basic factor in transportation profit.

One more thing—after the bridge over the Bosphorus in Istanbul is paid off, over the course of eight years, they intend to build a railroad bridge there, which will ease the congestion of the highway. At that time, it may be that Bulgaria itself will be the obstruction in the transportation flows.

Dimo Angelov says that the time required for the construction of this transportation artery may be reduced by almost three times, if only we reject the monopoly of one-directional thinking. In the final analysis, he asserts, there was no opposition between architects and builders in this country—all looked and were silent. There is a similar thing now. The young lads are satisfied that they have something to draw, and they do not dare to come forward. They ask me to help. Not a lot is needed—we agree to work without pay in parallel with the other designers. Just to have the possibility for more alternatives. This will save money for the state, and, magically, the tentative Vidin transport center will begin to repay sooner the efforts invested.



**Budapest Regional Prefect on Role, Tensions**  
92CH0636A Budapest HETI VILAGGAZDASAG  
in Hungarian 9 May 92 p 122

[Interview with Peter Szentgyorgyvolgyi, regional prefect, by Andras Lindner and Zoltan Horvath; place and date not given: "Peter Szentgyorgyvolgyi, the Republic's Regional Prefect for Budapest"]

[Text] *"On my father's side I hail from a family of soldiers, my mother was a Rickl descendant. Magda Szabo called this merchant family of Swiss origin the Buddenbrooks of Debrecen; they came to this region following the Counter-Reformation." Peter Szentgyorgyvolgyi, age 50, Budapest's first regional prefect, who has become known as a result of his duels with Gabor Demszky, has thus opened the pages of his family chronicle. He was six years old when his prisoner-of-war father died upon his return. "We too, received the orphans' provisions until 1949, but discrimination followed since we were stigmatized. My mother had no job for a long period of time," Szentgyorgyvolgyi recalls the typical vicissitudes of that era. He adds that, following his graduation from the Reformed Church College of Debrecen in 1961, he had no hope whatsoever of being admitted to the university, even though he liked archeology and history. Instead of becoming a university student he had to be satisfied with the higher level Specialized School of the Hospitality Industry, which he completed in 1964. But he did not stop there: He took evening courses in law at the university and he graduated in 1971. By 1974 he served as the lead legal counsel for the Danubius Hotel Enterprise. In addition, he also served as legal counsel for the South-Buda Hospitality Industry Enterprise, wrote articles on legal history, authored textbooks, and played an active role in the practical introduction of new commercial management forms. "They also talked about a move to the Ministry of Commerce, but I did not go in the end," he said, in reference to a career he almost made in the party state. Even without moving to the Ministry of Commerce, in 1983 he was appointed a member of the Legal Professional Examination Committee. In addition to his already enumerated activities, he became legal counsel to Legal Counsels' Work Cooperative No. 328, which has been changed into a lawyer's work cooperative by now. "My membership is suspended at present." Along with this hyperactivity he deems it important to mention that he has never been a member of any political organization and he is not a member of any organization even today. He was appointed as the regional prefect of Budapest effective 1 January 1991.*

*In response to our inquiry about his hobbies he had this to say: "I do not like this word, I prefer to call it 'passion.' And I have no time to pursue my passions." Nevertheless he regularly jogs and swims: "I jog on Szechenyi mountain two or three times a week, and my son and I enter the competition to swim across Lake Balaton every year."*

[HETI VILAGGAZDASAG] Looking at your press photos, you always have a rather stern look. Have you ever smiled?

[Szentgyorgyvolgyi] Fundamentally, I am in good spirits. I assume that those pictures look stern by accident.

[HETI VILAGGAZDASAG] And how about your fame of being tough? Is that also a misunderstanding?

[Szentgyorgyvolgyi] No, it is not. I endeavor to be tough. Are you aware of the extent to which work morale has deteriorated in Hungary? We must develop a new society with a sense of morality. Laws, and the rules of law, must indeed be obeyed....

[HETI VILAGGAZDASAG] What you just said is entirely consistent with our times. But this does not explain your present position. How can one achieve such a high state administrative post without being active in a party and with past experience in the hospitality industry?

[Szentgyorgyvolgyi] As a member of the Legal Professional Examination Committee I am among the country's 100 best known jurists. I might have been predestined for such a job....

[HETI VILAGGAZDASAG] What do you mean by that?

[Szentgyorgyvolgyi] I felt that there was a void. All my life I have expected something more than mere administration. A place where I could do something for society.

[HETI VILAGGAZDASAG] Except that wishing usually does not suffice. Who offered you the job?

[Szentgyorgyvolgyi] Mr. Jozsef Antall's personal secretary called me from the Office of the Prime Minister. I accepted the offer on the following day.

[HETI VILAGGAZDASAG] Okay, but from where did they know your telephone number? Peter Boross, a colleague from the "profession" occupies the interior minister's chair. Could you have known him from before?

[Szentgyorgyvolgyi] I only saw him before. We had no work relationship. Other people could also have known me.

[HETI VILAGGAZDASAG] This is not of the essence, of course. It is of significance that barely after receiving your letter of appointment a "standing war," frequently colored with personal references, has broken out between you and Gabor Demszky, the mayor of Budapest. Is it possible that the two of you cannot stand each other to this extent?

[Szentgyorgyvolgyi] I am totally puzzled and cannot understand why our relationship evolved this way. Nevertheless, I will tell you a story. Even before I arrived here I called the mayor on the telephone so that he would be the first person I met after taking office. But he was not alone when he received me. The former council

executive committee secretary was also present. I registered this as a sign of lack of confidence. I still do not understand why he regards every step I take as political mudslinging.

[HETI VILAGGAZDASAG] Do you feel that political mudslinging is not involved?

[Szentgyorgyvolgyi] Why would it be? Gabor Demszky is confused about his role if he insists on imagining that my work interferes with his circles. It seems that he has an aversion to legal provisions in force.

[HETI VILAGGAZDASAG] On the other hand, they complain about you that your actions are often petty, that frequently you declare a resolution as invalid for a single word or expression....

[Szentgyorgyvolgyi] I disagree with this. This is my job after all, and a single word or expression can indeed make a difference, it can influence an entire sentence and the meaning or the spirit of an entire resolution.

[HETI VILAGGAZDASAG] Could you tell us which of the two of you is higher ranking?

[Szentgyorgyvolgyi] It would be better to deduce this from legal provisions, rather than from protocol. My rank is higher. I hold the title of a titular state secretary, while the head of the Budapest local government is on the same level as the mayor of any other Hungarian settlement, insofar as basic authority is concerned. On the other hand, Budapest, as a region, is headed by a regional prefect.

[HETI VILAGGAZDASAG] The two of you have "kicked up the dust" a number of times. What would be the score if this game were counted in terms of goals?

[Szentgyorgyvolgyi] From among 59 comments we have made regarding the legality of action, all were upheld in the first instance, and 47 also in the second instance. No decision in the second instance has been reached regarding 12 cases.

[HETI VILAGGAZDASAG] How would you react to the regional prefect's activities if you were in Mr. Demszky's place?

[Szentgyorgyvolgyi] I would endeavor to establish the best possible relationship with the regional prefect. I would not tolerate a situation in which his guests reach him through a side corridor, thereby virtually discrediting the city.

[HETI VILAGGAZDASAG] True: The location is also a "subject of debate." This also includes the size of the staff, of course. What is your final staff size going to be?

[Szentgyorgyvolgyi] One hundred twenty people. There are 109 of us at present; accordingly, we will hire 11 more people. We need a tax-dues group because there were no local taxes when we started.

[HETI VILAGGAZDASAG] Do you know what the comparable size of the local government staff is?

[Szentgyorgyvolgyi] I have no idea. But I know one thing: We took over one-third of the old council functions.

[HETI VILAGGAZDASAG] We assume that just because of your past profession you do not render decisions on your own. Who advises you regarding city policy issues?

[Szentgyorgyvolgyi] I seldom request outside help. We are a new office, after all; we know best what we have to do. The only help I may rely on is consultation with the rest of the regional prefects.

[HETI VILAGGAZDASAG] People say that you are one of the royalists, who favors having a king, people who rally around the Christian Democrats.

[Szentgyorgyvolgyi] As I have mentioned before, I am not a member of any party. Hungary is a republic and I swore allegiance to the republic.

**Labor Union Organizations Strive To Cooperate**  
*92CH0636C Budapest HETI VILAGGAZDASAG*  
*in Hungarian 9 May 92 p 15*

[Unattributed article: "Trade Union Negotiations"]

[Text] It was revealed in the course of negotiations that began on Monday that, from among the seven confederations participating in the Interest Mediation Council [ET], six have already agreed that employed persons, people entitled to collect unemployment compensation, and pensioners should be able to vote in trade union elections scheduled for October or November. According to the government's plan every adult Hungarian citizen could have taken part in the elections, but the Trade Union Grouping for the Intelligentsia [ESZT] representing a different view feels that university and secondary school students who are trade union members must not be excluded from the elections. Employee interest groups were unable to reach an agreement for now; whether in addition to voting for plant councils it should also be possible to vote for the confederations only or for any trade union. At the same time, the interest groups agreed that only those organizations should be able to run in the elections, which have basic organizations in at least five trades and in five counties. From among the seven trade union groupings Solidarity made reference to the expected lack of interest, opposed voting for the various interest groups on the basis of voters' preference, and recognized only the plant council elections as justified. The negotiating groups have not reached an advance agreement regarding the minimum level of participation by those entitled to vote that would enable them to recognize the elections as valid. At the same time they agreed that any interest group, which acquired 10 percent of the votes, should be able to take part in the ET's work. The interest groups are united in their positions that there should be no separate voting



for employee representatives in autonomous social security bodies; these should be delegated based on the proportion of votes cast in the elections. For the time being, one cannot tell whether these proportions—likely to be taken into consideration also in the course of distributing property—should be determined on the basis of votes cast at the plant council elections, or in the balloting that would show preferences for trade unions, or a combination of both. Regarding the distribution of property the Democratic League of Independent Trade Unions made a suggestion to the effect that insofar as the National Federation of Hungarian Trade Unions [MSZOSZ] performed on the obligation to account for its property within a short period of time, the Organization to Temporarily Manage the Property of trade unions [VIKSZ] would not render any decision to increase the conflict. "MSZOSZ has recognized the Constitutional Court decision, it is expected to render a decision concerning the member organizations' accounting for property next week, and it is unlikely that they would manifest further resistance," HETI VILAG-GAZDASAG was told at the Federation.

### Highlights, Background of 'Media War'

92CH0646A Budapest MAGYAR NARANCS  
in Hungarian 27 May 92 p 3

[Article by Miklos Sukosd: "Media War"]

[Text] "Hungarian politics have always been connected with a national party representing the middle of the road. Today this role can be assumed by the MDF [Hungarian Democratic Forum]" (Jozsef Antall in the summer of 1989, during a break in the National Roundtable Negotiations).

The attempts to remove Gombar [director of Hungarian Television] and Hankiss [director of Hungarian Radio] were only the final shots to be fired in the media war. Let us see how the fronts were formed up to now, and in which direction the troops of the coalition are advancing.

### The 12 Fronts of the War

#### 1. The MDF's Media Philosophy

The ambitions of the administration can be discerned not only on the logistics table: At times, its strategy is voiced openly. The issue is not only that the parties of the coalition—especially the Hungarian Democratic Forum—are extraordinarily sensitive to criticism by the press and the media. The leaders and members of the coalition regularly undertake campaigns during which they label the press in general, and individual papers in particular, as "opposition," "bolshevik," "excommunist," "bolshevik-liberal," and "Judeo-bolshevik-liberal." In other cases the label is "cosmopolitan," or "serving foreign interests." The concrete media philosophy of the MDF is characterized by the conviction that instead of voicing criticism, the press and the public

media should serve the democratically elected government because it represents the majority of voters. Istvan Csurka already declared war on independent public television before the 1990 elections: "Today anywhere in the world someone can say he possesses power only if he has his own TV" (MAGYAR FORUM 11 November 1989). The expression "own television" unequivocally expresses the demand for a tight government control of the public media. After the elections it was again Csurka who formulated the demand for the establishment of a new government newspaper. "Why shouldn't the government own, why shouldn't it be entitled to, its own organ? (...) It is an illusion that the press has to be independent of everything. The press serves an interest, and at the moment, the domestic press serves interests opposed to the government and to the MDF" (NEPSZABADSAG 9 July 1990).

#### 2. The Coalition's TV Programs

In accordance with the above philosophy, the major news programs on television (especially "The Week," "Panorama," and, to a lesser degree, "Newsreel" on Channel 1) are obviously biased in favor of the governing coalition, especially the MDF. These programs are assembled by editors who openly support the governing party. In many cases, the reports are biased and partisan; voices of the opposition and critical voices are given less air time (or occasionally none at all), or they are introduced by their moderators' biased commentaries. All this, which is apparent to every attentive viewer, can be proven by content analyses.

Although the editors of the above-mentioned programs, in particular the editor in chief of "The Week" and "Newsreel," Istvan G. Palfy, were several times subjected to disciplinary measures by Elemér Hankiss, they were not fired, because they enjoy the support of the government, and personal support of the prime minister. (Let us not forget: The threat of government commissioners in charge of the media has often been voiced.)

#### 3. The Case of Media Vice Directors and Directors

Another method used to increase the government's influence over the media was the three attempts (successful on the third go) by the prime minister to appoint vice directors to public television and radio. The role of the vice directors would have been (or rather, became) that of taking over numerous functions from the directors of the media, and counterbalancing the policies of the media directors which the government deemed too independent.

In the first round of nominations for the vice directors, in July 1991, Arpad Goncz refused to appoint the nominees, saying that there is a lack of political and professional consensus concerning the persons and the roles of the nominees, and that, because there is no media law yet, there are no exact legal regulations, and the appointments would only add fuel to the fire.

In the fall of 1991, the prime minister repeated his recommendation for the appointment of the same persons, but this time the president of the Republic did not reply, either positively or negatively. The prime minister then applied to the Constitutional Court to inquire how soon the president must make a decision. The Constitutional Court's Dodonian [oracular] decision was interpreted by both parties according to their own standpoint: The prime minister was still waiting for a decision, but yet the president did not appoint the candidates. The matter slumbered for a while, and the second round in the appointment of media vice directors ended in this way.

In March 1992, the prime minister recommended the appointment of two new candidates, Gabor Nahlik to head the television, and Laszlo Csucs to head the radio. In this third round, the president did appoint the candidates. The vice director of the television undertook personnel and structural changes on the day following his appointment, without conferring with the director. Hankiss initiated disciplinary procedures against Nahlik, but the prime minister stepped in, and in a long serpent's tail of faxes he let Hankiss know that as the director of the television, he had the rank of an under secretary of state, and his deputy, Nahlik, had the rank of a deputy under secretary. Consequently, only the government had the right to initiate disciplinary procedures. According to this interpretation, then, the disciplinary procedures initiated by Hankiss were unlawful. (Independent jurists disputed the prime minister's point of view.) At this juncture the legal dispute turned into a stalemate, because the disciplinary procedures had already been carried out. The prime minister then resorted to political means: He appealed to the Cultural Committee of parliament, asking its opinion whether Hankiss still met the requirements demanded by his function.

#### 4. Coalition Pressure To Shape Radio Programming

In March 1991, as a result of a series of negotiations between the established religions and the leadership of the Hungarian Radio, the two parties came to an agreement on the new structure of the religious programs on the radio, the fourfold increase of air time devoted to these programs, and the transfer of these programs to the FM band. When in January 1992 the planned new system of programs was started, the religious organizations protested, for the FM programs cannot be picked up by a large portion of Hungarians abroad, and even in Hungary only a portion of the population owns a radio with an FM band (presumably these considerations did not come up during the earlier negotiations).

The MDF, as well as several organizations of the Christian Democratic People's Party, then the central body of the party itself, joined the protest by the established religious organizations. The debate between the radio and these organizations, thus, became an emphatic political issue, the importance of which was underscored by statements made by the prime minister and the president

of the Republic. The pressure by the coalition parties was followed by a joint campaign by coalition television programs—especially on "The Week" and "Panorama," in which the real issue, namely the possibility of receiving the programs in question, was supplemented by attacks on the persons of the media directors. Thus, the conflict between the religious organizations and the radio ended with the amplification of voices demanding the resignation of the media directors.

#### 5. Economic Pressure Through the Budget

In the discussion on the 1992 state budget, Istvan Csurka recommended that parliament deduct 1 billion forints from the amount allotted to the support of the television (this amount is a considerable portion of the television's budget). The majority, which belonged to the governing parties, voted for the modified proposition, thereby applying pressure to the activity of the television director. How the blocked funds might be released is still a matter of contention.

#### 6. Radio Programs of the Coalition Representative

In the practice of Western democracies it is practically inconceivable for parliamentary representatives to have their own political programs on public media. (In Hungarian media, too, presidential decrees forbid them to edit and moderate political programs.) However, Istvan Csurka's appearance on "Sunday Paper" counts as an exception: In his weekly programs, the representative regularly attacks the opposition, the press, and at times even the directors of public media. Several times disciplinary procedures were initiated against the editor of the program, but to no avail, just as was the case at the television.

#### 7. Personnel Changes in the Heads of State-Owned Publishing Houses and Newspapers

Let us move on to the area of the press in print. In the fall of 1990, the prime minister appointed a new director, Jozsef Horti, as the head of the state-owned Pallas Publishing House, which subsequently merged with the Newspaper Publishing House, also state-owned. The new director discharged the editor in chief of the weekly publication, MAGYARORSZAG, which has a very large circulation (the editor had a tainted past), and appointed a new editor in chief who transformed the weekly in order to conform to the coalition. (Incidentally, the firing was unlawful: The former editor in chief won the labor law dispute following his discharge, but interestingly enough he did not wish to return to the weekly, although he had the right to do so.) The merged publishing houses just mentioned also stopped supporting several cultural magazines and biweeklies, citing financial grounds.

Apart from the transformation of the weekly MAGYARORSZAG into a coalition organ, the case of ESTI HIRLAP is also worth mentioning. After the death of Robert Maxwell, the British press magnate, and the

ensuing bankruptcy of his firm, the Newspaper Publishing House, using its preemptive right, bought 40 percent of the stock of ESTI HIRLAP from its previous owner, Maxwell Holdings. In short, a newspaper which had already been partially privatized was bought back, was in fact renationalized, since in this way Pallas became the owner of 80 percent of its stock. After the paper changed hands, the state publishing house appointed a new senior editor, Tibor Franka, in spite of the public protest by a part of the staff and the resignation of the deputy editor in chief. (The newspaper's charter makes the editorial staff's agreement a condition for the appointment of an editor in chief, but it does not mention the function of senior editor, a position which indeed had not existed earlier; thus, formally, the appointment was presumably lawful in spite of the staff's protest.)

#### **8. Government Interference in the Process of Press Privatization**

The editors of MAGYAR NEMZET were slower than those of other newspapers in finding foreign investors for the privatization of their paper. The paper was negotiating with the publishing house of the Swedish DAGENS NYHETER, but after the prime minister's intervention, the state publishing house privatized the newspaper under the ownership of the French Hersant group (the publishers of the conservative LE FIGARO). The government's action led to a deep rift within the editorial staff; numerous editors were discharged or left the newspaper on their own accord. However, personal and political disagreements continued between the groups of editors who remained with the paper and the owners. All of this led to a strike lasting several days by the majority of the editorial staff in October 1991. The bitter disputes continue, and they are compounded by a decreasing circulation.

#### **9. Founding a Coalition Paper**

For the founding of UJ MAGYARORSZAG, the administration applied pressure on six partially state-owned banks and on other, partially state-owned firms with the purpose of creating a new publishing house to publish the newspaper. In all events, the fact is that on a very tight news market, it is a very expensive proposition to start a new daily newspaper. Publica, Inc., founded in this way, has acquired in a brief space of time the ownership of such very profitable organs as the "Sportfogadas" [Soccer Betting Pool].

At the same time UJ MAGYARORSZAG, just like HETI MAGYARORSZAG, profits from the constant hidden advertisement by coalition television programs. (At the end of March 1992, ESTI HIRLAP joined the ranks of the newspapers advertised in this way.) The texts of the interviews and programs broadcast in "The Week" and "Panorama" can be read in these papers, as the moderators mention at the end of every program; moreover, members of the government appearing on the

programs give written replies in these papers to the questions they have been asked on the air.

Furthermore, in certain cases UJ MAGYARORSZAG has a monopoly on information. This is what happened in the case of the publication of lists emerging from Soviet archives. The list containing data of almost 50,000 Hungarians who died in captivity, which provided valuable help to these prisoners' closest relatives in applying for compensation, was published exclusively in a series by UJ MAGYARORSZAG.

#### **10. Subscriptions to Coalition Papers**

A fact of much lesser importance than the fronts in the media war discussed so far, but a fact significant from the point of view of the coalition parties' press philosophy is that certain ministries made their departments cancel subscriptions to daily newspapers with a large circulation and had them subscribe to UJ MAGYARORSZAG instead, a paper close to the government.

#### **11. Dividing the Community of Journalists**

The division of the community of Hungarian journalists further deepens the trenches in the media war. The Freedom of the Press Club, founded by journalists close to the coalition, has openly criticized the Association of Hungarian Journalists from its inception.

On 14 March 1992, the members of the Freedom of the Press Club, numbering close to 300, founded the Community of Hungarian Journalists (MUK). "The point is that we do not want freedom of the press, because freedom of the press turns into freedom of slander, which can no longer be tolerated. We do not want freedom of speech, because freedom of speech turns into freedom of rancor. We want the integrity of the press, and the integrity of speech!" said Istvan Benedek, honorary president, at the founding of the Community. (It is a question whether the previous name of the Community, Freedom of the Press Club, is a manifestation of Orwellian doublespeak, since its members stand precisely against freedom of the press and for partisan journalism.) The editor in chief of HUNGARIAN FORUM (Csaba Kosa) was elected president of the new organization, and it counts among its members a number of TV personalities and editors (Alajos Chrudinak, Judit Jarai, Edit Kiraly, Akos Moldovanyi, Laszlo Muranyi, Istvan G. Palfy, Istvan Stefka).

Apart from the creed mentioned above which rejects freedom of the press, a characteristic formulation of the Community's philosophy was given by Laszlo Muranyi, member of the presidium: "Those who do not want to help in the solution, who are forever sneering, who do not do their part while we are in the midst of laying down the new foundations of our nation, who do not see that the point is a national revival (and I speak of journalists, and not citizens, since my speech attempts to deal with the effects of the press), should do us the favor, in the

interests of 10.5 million suppressed Hungarians, to put their passports in their pockets." (MAGYAR HIRLAP 25 March 1992.)

## 12. Street Demonstrations Against Public Media

The first street front in the media war was opened on 23 October of last year. At that time, the members of the extremely right-wing National Association of Hungarians led by Laszlo Romhanyi, transformed the commemoration of the 1956 revolution by organizing a rally in front of the building of the Hungarian Radio. They demanded that their political program be read on the air and that Csaba Gombar resign. Then, after they had made their way into the building, from the balcony they incited the crowd assembled for the celebration.

Obviously, this event provided the idea for the demonstration held on 15 March of this year on Szabadsag Square [in front of the headquarters of Hungarian Television], called by organizations of 56-ers and that of Romhanyi. During the demonstration, a crowd of a few thousand demanded "Christian media," "national media," as well as the resignation of Hankiss and of several radio and television editors and reporters, spoken of by name. The hostility of the crowd towards journalists can be characterized by the fact that it assaulted a female reporter working on the square with a tape recorder.

## Circular Attack: Overlapping Front Lines

The above facts are known to every citizen interested in politics, but brought together, they paint a fairly bleak scene.

The separation of the fronts as described above is, of course, only possible in principle. In reality, the front lines are overlapping: While one front provides ideological heavy artillery, an army of foot soldiers creeps out from the trenches of another front.

Partisan attacks, in connection for instance with the discussion on religious broadcasts (front No. 4), were embedded in the general campaign against the media directors (front No. 1), and prepared the grounds, so to speak, for the street demonstration on 15 March (front No. 5 [as published]). At the rally on Szabadsag Square, to which Csurka also mobilized demonstrators in his Sunday program (front No. 6), a representative of MUK (front No. 11) also spoke; finally, "Newsreel" gave a partisan account of the events (front No. 2).

In the same manner, the news programs on television (front No. 2) continually advertise papers close to the government (fronts No. 7, 9). The commentaries in "The Week" are based on the media philosophy of the MDF (front No. 1), and when necessary, they give ample room to current campaigns (fronts No. 3, 4). Thus, in reality, a harmonious division of labor has evolved between the front soldiers and their commanders.

The ways of manipulating the public just mentioned unambiguously depict authoritarian trends. The government's authoritarian politics are facilitated by the fact that in many cases the media war is fought on an unregulated terrain, among legal gaps and controversies. The fact that many of the actions described above are not illegal is, thus, a consequence of the lack of legal regulations of the field.

It is a paradox of the media war that while the devotees of the coalition media go to war with the slogan of wiping out the remnants of the Communist past, in reality the government frequently utilizes old state property and the regulations of the Communist media law—remnants of the past—to assert its power.

## Why the Media?

An administration can be frozen into a system spanning an epoch in many ways. One can limit suffrage, as in the Tisza system. The multiparty system can be narrowed or abolished, as it was during the periods of Horthy, Rakosi, and Kadar. The opposition can be terrorized by the political police—as in every previous system.

Will the Antall administration become a system? The methods described just now are no longer fit for good society; the media is a last recourse. Compare the formulation by the prime minister, then a historian, quoted in the motto.

## Szabo's Group Issues Economic Strategy Plan

92CH0663A Budapest MAGYAR HIRLAP  
in Hungarian 4 Jun 92 p 9

[Shortened version of plan issued in March by the Economic Strategy Working Group: "The Group Led by Minister Tamas Szabo Prepared a New Strategy for Economic Policy; They Cast Their Ballots for the Concept of Vitalizing the Economy"]

[Text] *Last December, Prime Minister Jozsef Antall assigned the Economic Strategy Working Group (GAM) the task of analyzing the country's economic situation and, if necessary, to work out a new strategy. By the end of March, the group lead by Tamas Szabo prepared its report and proposals in which they unequivocally cast their ballots for vitalizing the economy, claiming that failure to do so would subject our economy to another decade of stagnation. Because of the length of the published report, we are able to present it here only in a condensed form and, because of the lack of space, we chose to cover the program of vitalization in more detail while condensing the description of the situation, about which much has been written, to a greater extent.*

Despite the enormous burdens inherited from the past, the political situation in the country is stable, and the economic processes as a whole are manageable. Yet, we have arrived at not only the halfway mark but also at a crossroads. For, according to indications, the political and economic strategy that we have been following,



although capable of achieving relative stabilization of the situation, is inadequate for bringing about, in the foreseeable future, a perceivable beginning of progress in Hungary and an improvement in the lot of significant segments of society. These facts lead the prime minister in December 1991 to assign a working group of experts the task of analyzing the present situation and of presenting proposals for the necessary corrections or, if it deems it necessary, of working out a new strategy.

...The GAM's task was to find the reasons for the economic decline, to identify the factors that hinder growth, to determine the possible directions for progress and the areas where obstacles must be removed, and, finally, to prepare a plan of measures with regard to the most urgent actions to be taken in the future. The document describing the concrete tasks was prepared by late March 1992.

The Economic Strategy Working Group's activity was supervised by Dr. Tamas Szabo, minister without portfolio, and its members were Etelka Barsi Pataky, Peter Akos Bod, Laszlo Bogar, V. Imre Csuha, Istvan Forrai, Gabor Gulacsy, Otto Hieronymi, Miklos Kiraly, Gyula Kodolanyi, Janos Martonyi, Tibor Pongracz, Laszlo Sarossy, and Peter Szabo.

#### **I. A Few Basic Political Questions for the Economic Policy's Evaluation**

During the 1990's, Hungarian society will have only a single decade to accomplish all that Western societies had 150-200 years to accomplish, namely, a modern market economy and a stable political democracy.

...One unit of capital today produces half of the income it produced 18 years ago. And the accumulation of capital has been steadily declining since 1978. The resultant of the two processes is that the 18-year-old decline in capital efficiency and the 14-year-old slowdown of capital accumulation will hinder Hungary's economic growth during the coming decade, probably allowing, at the most, only a stagnation during the entire decade. Thus, we must realistically reckon with the fact that during the 1990's the total internal resources at Hungarian society's disposal will not exceed those of the 1980's. However, since the latter, too, hardly exceeded that of the previous decade, Hungarian society can, by and large, reckon with a 25-year stagnation period!

...For this reason, we must face the fact that the combined implementation of the three fundamental conditions—namely, 1. that the change must be rapid and efficient; 2. democratic and peaceful; and 3. relying mostly on internal resources (in short, it must have an active balance of payments)—is a logical impossibility. Depending on which of the three conditions will become impossible [to implement], three "scripts of logic" are conceivable:

1. Optimistic variant: Significant and permanent external extra resources—i.e., condition 3 becomes impossible.

2. Pessimistic variant: A necessarily rapid change, built on limited internal resources, will elicit social conflicts that can be handled only dictatorially—i.e., condition 2 becomes impossible.

3. Realistic variant: A democratically and peacefully negotiating/bargaining strategy that is built on limited internal resources can only be implemented under slow and unstable circumstances that are inherently dangerous—i.e., condition 1 becomes impossible.

The GAM has not looked into variant 2, for it did not think that its political evaluation was its task. It has not looked into variant 3 either, for that would in essence result in increasing uncertainty and instability, i.e., in the prolongation of the present processes. On the other hand, in its diagnosis, it looked thoroughly into the manifestations, reasons and consequences of the "lack of resources," i.e., as possible therapies, into treating these problems by using significant external resources, and into the capability of Hungarian society and economy to absorb external resources, i.e., into the chances for variant 1. The basis for that is provided by the following "list of shortages," which is a draft analysis of those points of tensions and their interrelationships that are considered most important by the GAM.

#### **1. The differentiated structure of society and the lack of a consistent social, economic, and political strategy.**

We must recognize that such a strategy has not yet been worked out although attempts have been made. We worked, from time to time, pragmatically and carefully, with the international financial world's neoliberal formulas in connection with a draft concept.... Two years have had to pass for all key players on both sides of our national borders to find the slow decline of the present strategies unacceptable and the change in the political and economic strategies unavoidable.

#### **2. The lack of external resources.**

The West's unpreparedness for the changes in 1989-90 is somewhat understandable, but it is much less understandable that to date it has been unable to provide a coordinated and clear response to the challenges of the restructuring. It must be recognized that today's world market is much more a formation of power and politics than, in the liberal sense of the word, a world of "market" automations.... Therefore, we must initiate an offensive bargaining on the basis of a well-thought-out strategy so that Hungarian economy can become a massive user of net resources during the rest of the decade....

#### **3. The lack of internal resources.**

...The lack of internal resources and the resulting main points of tensions are gauged by the situation of four large problem areas in domestic economic processes. These are: the great social systems, the infrastructural network, the problem areas of enterprise, and privatization.

...During the past two to three years, a period of the institutional system of market economy and the accumulation of "original capital" began. In view of the fact that the volume of incomes has gradually decreased in the meantime, the increasing impoverishment of the strata that carries the burden of the costs of the change emerged as an unavoidable consequence....

#### 4. The situation of the great social systems.

Within the population's total incomes, the ratio of income transmitted by the great social systems grew from 10 to 45 percent during the [period of] more than four decades...and, with regard to the systems' operational mechanisms, it became an accumulator of gigantic internal deficits which today threatens the state budget with an explosion.

#### 5. The situation of the infrastructural network.

"Thanks" primarily to the fact that a catastrophic plundering of the infrastructural network created the basis for a slight improvement during the quarter century between 1950 and 1975, the Hungarian economy's capital efficiency, beginning with the years 1974-75, experienced an increasingly rapid decline.... An improvement of the income-producing capability of Hungarian capital reserve is conceivable primarily through a decisively infrastructure-centric strategy of development.

#### 6. The problem areas of enterprise.

A rapid establishment of a market economy could be made possible by invigorating enterprise and/or by faster privatization.

...In order not to paralyze everyone to the same extent by monetary strictness, in the past two years, our policy on enterprise was undifferentiated mostly in the areas where it should have been selective. And our policy, mostly through highly ideological political campaigns directed at limitations imposed on the "cadre-bourgeoisie" and increased support given to "our people," tried to be selective where, in the final analysis, this proved to be both dysfunctional and in deficit politically.... We must come to terms politically with the fact that the "cadre-bourgeoisie" will be the main strength of the Hungarian middle class and that, as a result of the objective necessity of the situation, we must avoid confrontation and strive for a permanent political conciliation.

#### 7. The problem areas of privatization.

...Much more sensible and differentiated concepts have been formulated in Hungary's strategy of privatization than practiced in the neighboring countries and, thus, in essence, our ways of privatization as a whole have been more successful than in any other country of the region. However, this is a rather slow process, especially when considering that the 2,000 billion forints that are used as

a basis of comparison would correspond to approximately eight months' GDP, which is obvious nonsense, for the actual figure is at least four, but more likely five, times that!

...On the basis of GAM's analysis, we think that the basic elements of the Hungarian privatization's economic techniques have been worked out and that the system can be operated faster within a short period of time.... The distinct midlevel techniques of privatization, which could finally make it possible for AVU [State Property Agency] agents to avoid struggling between anxious caution and corruption's temptation, can be worked out only after striking clear bargains.

...As a manifestation of the problems listed, the divergence between the economy's real and monetary processes is increasing. Because of the rapid increase in the black economy (tax cheating, tariff cheating, etc.), an increasing segment of production and employment is disappearing from statistics and the tax authorities. Savings are increasing and, thus, the financial balance can be maintained but, because of the proven (and partly actual) decline in production and employment, the process cannot be maintained for long.

## II. The Obstacles to Economic Growth and the Laying of the Foundation for a Policy of Growth

### 1. The timeliness of the Hungarian economy's problem of economic growth.

...The past months of the year 1992 made it clear that solutions to our present financial and economic problems can only be found if the resources for growth will be strengthened and if we will succeed in putting our national economy on the path of growth. The most pressing problems are:

- The state budget's permanent structural tensions...
- The investment of resources that decreases the economy's development resources...
- The absence of a financial and economic environment...and of guarantee systems that would adequately help the development of ventures...
- The encouragement of a willingness to invest domestically...
- The low level of infrastructural development...
- The increasing employment and social conflicts...
- The slow change of the social security system...

During the past two years, a double process became obvious in the Hungarian economy:

- A significant production increase in new (small and medium-sized) private businesses...



—A sharp decline in production and employment in the traditional industrial enterprises and, in part, in agriculture.

The challenge in economic policy requires the preparation and implementation of measures that would make long-term growth possible without jeopardizing fiscal balance and, thus, would strengthen both domestic and foreign confidence.

## **2. The strengthening of the conditions for economic growth; the characteristics of the policy of growth.**

2.1. The objectives specified in the Four-Year Economic Program (zero balance of payments, anti-inflation policy, more effective measures against unemployment) are the basis for creating the conditions for economic growth and preparing a growth-promoting economic policy.

This would also be a change of direction, for the creation of the conditions for economic growth and the development of the growth process would be placed among the economic policy's top priorities.... In order to promote growth, it stresses the development of the following areas, i.e., the acceleration of the following processes: productive infrastructure, ventures, privatization, regional development policy, and a financial and resource institutions system.

2.2. The essence of economic growth...is that, in addition to preserving the external payment positions and maintaining the required [zero] fiscal balance, it should also unfold the economic changes that are underway. It follows from all this that the development and implementation of a policy of economic growth is different from the "economic vitalization" of the 1980's.

2.3. An economic policy that begins to move in the direction of economic growth can be successfully implemented only if it is supported by both the national economy's basic factors and by the key players of foreign trade. [Such a policy] must put the Hungarian entrepreneur and Hungarian enterprise in the center of the economic policy. A revival of the economic structure, innovation, and an increase of market demand and supply are inconceivable without it. In addition, the economic policy must put special emphasis on increasing exports and on strengthening foreign market relations and international economic integration.

2.4. Determining the factors of economic decline and identifying exactly the obstacles that hinder growth is indispensable for creating the conditions for economic growth.

## **3. Steps for promoting growth.**

The steps for promoting economic growth are determined by the following:

3.1. Some of them also serve stabilization and the handling of the emerging economic problems and, thus, indirectly

contribute to the creation of the conditions for growth (e.g., stricter tax audits, stricter financial discipline).

3.2. Others bring forward and accelerate certain steps of the Four-Year Economic Program (the introduction of the double-rate sales tax).

3.3. They include short-term and long-term decisions (annual policies of property control, mortgage institutions, land credit, guarantee fund system).

Above all, in order to create the conditions for economic growth, the steps of economic policy that must be implemented during the next four to six months must be determined.

## **III. The Main Areas of Promoting Economic Growth**

One of the most important prerequisites for economic growth is the creation of a stable financial background, i.e., an institution and resource system.

At present, the most urgent measures in this respect are as follows:

1.1. The successful management of mass bankruptcies would stabilize the financial sphere.... Since bankruptcies are often concentrated in one or another branch, casting doubt on the efficiency of that branch as a whole, finding a solution is directly connected to assessing the role of the given branch in the economy, to determining the direction of the change in the economic structure, and to its external and internal market positions....

1.2. In order to create financial stability, it is indispensable to work out as soon as possible a strategy and a concrete solution to the problems of questionable claims, standing in lines, and bank holdings. Since no proposal for a solution has been prepared, there is little chance that commercial banks will change their present credit policies—to make them more advantageous to entrepreneurs—or that bank privatization will be implemented in practice. In order to regulate bank holdings, it will be necessary to work out a concept and operational regulations of a credit stabilizing fund.

1.3. The establishment of the institution of a national guarantee system will serve the development of domestic ventures (loan guarantee, export guarantee, etc.).

1.4. Inexpensive long-term loans will be indispensable for the development of the agricultural enterprise sector and the strengthening of private farming.... Above all, a modern legal institution of (real estate) mortgage must be developed which would serve as the basis for establishing land loan organizations.

## **2. Industrial crisis management, industrial policy.**

2.1. The most urgent task in connection with the future of Hungarian industry is to work out an industrial crisis management package, the elements of which could be the

following: provision of loans for restructuring and development, organizational decentralization and privatization, tax reliefs that promote investment and modernization, promotion of exports, evaluation of market possibilities etc.

2.2. In addition to industrial crisis management, it would be an urgent task to work out the concept of a midrange industrial policy.... It would include the strategy of a new policy on modern technology, the tasks related to permanent state ownership, market protection that is geared to the norms of market economy and to our international commitments, and training and management that is in harmony with modern technology.

### 3. Infrastructure.

3.1. The infrastructure, which is one of the most important prerequisites for economic growth, must be developed in the future by renewing coordination within the present administration and bringing it up to a higher level. The Infrastructure Committee was established for this purpose. This committee discusses the present—and future—resources to be used, solicits bidding for the management of strategic national investment projects, and then evaluates the proposals. On the basis of the Economic Cabinet's decision, the individual portfolios prepare and implement its recommendations in detail. The committee's chairman is the minister of KHVM [Ministry of Transportation, Telecommunications, and Water Management], and its members are the ministers of PM [Ministry of Finance], IKM [Ministry of Industry and Commerce], NGKM [Ministry of International Economic Relations], MuM [Ministry of Labor], BM [Ministry of the Interior] and KTM [expansion unknown], the minister without portfolio responsible for privatization issues, the chairman of the OMFB [National Technical Development Committee], the commissioner of the EXPO, the prime minister's Advisory Board (or its delegates), and occasionally invited persons.

3.2. The development of the infrastructure must include not only the traditional branches of the infrastructure (e.g., telecommunications, urban transportation), but also the work for the 1996 World Expo, and the issues of home financing.

### 4. Measures connected to the tax system.

The modernization of the tax system is unavoidable....

4.1. A lower rate for the source tax payable on interest revenues (to 10 percent). (This would indirectly promote a decrease in bank interest rates.)

4.2. Change to a double-rate (10 and 20 percent) sales tax.

4.3. Stricter tax accounting and control.

4.4. Modification of the depreciation allowances in a way that would benefit the development of ventures.

4.5. A decrease in the marginal rate of income tax, and negotiations with venture organizations on the methods of payment.

### 5. The banking system's modernization.

5.1. Preparing the strategies, in accordance with the basic principle of bank privatization that has been approved by the administration, for privatizing banks owned in large part by the state.

5.2. Settling questionable claims, and establishing a Credit Consolidation Fund.

5.3. Accelerating bank modernization programs and, in particular, raising the quality of provincial banking services.

5.4. Preparing ways of financing based on risk sharing (guarantees) to invigorate ventures and thus create more jobs.

5.5. Establishing financial institutions that are missing at present (land credit organizations, guarantee systems).

5.6. Changing the Hungarian Investment and Development Ltd. into a reconstruction bank, replenishing its capital.

5.7. Establishing development and investment funds.

### 6. The acceleration of the privatization process.

6.1. The methods and possibilities of Hungary's participation in privatization (credit, MRP [ESOP: Employee Stock Ownership Plan], leasing) must be put into a coordinated system.

6.2. Professional considerations must clearly govern future privatizations of state property....

6.3. Work on the establishment of the AV, Ltd. [State Ownership Corporation] must be accelerated.

6.4. Preparations must be made for actions of privatization serving as references which would be aimed specifically at small Hungarian investors through public issuances.

6.5. Proposals for improving the conditions for E Credit [Subsistence Credit].

### 7. The handling of regional tensions.

Both from the aspect of the handling of emerging social and economic tensions and the aspect of our country's development as a whole, the development and implementation of a coordinated regional policy will be a key issue in the coming years....

### 8. The handling of social tensions.

8.1. For at least the midterm, a viable solution for setting up provisions for and financing of the increasing unemployment must be worked out.

8.2. The operational regulations for the managing organization of social security funds and the institutional conditions for property transfer must be worked out within a very short time.

#### 9. The coordination of international assistance.

Hungary receives many kinds of assistance at present from international organizations and from individual countries. Thus, an efficient mobilization and use of the emerging financial and professional assistance is a requirement for laying the foundations for an economic growth policy. Unified and high-level price control is required for successful coordination and an all-encompassing strategy of assistance acceptance. In the interest of this, it will be necessary to set up, within the framework of the present organizational structure, an independent organization corresponding to that of the government commissary's office for handling, under high-level political control, international assistance offered to, and used by, Hungary.

#### Kupa on Leaked 'Secret' Economic Strategy Plan 92CH0692A Budapest 168 ORA in Hungarian 9 Jun 92 pp 8-9

[Interview with Finance Minister Mihaly Kupa by Erno Kardos; place and date not given: "I Am Not a Stupid 'Plan' Bureaucrat! Secret Document With Logical Somersaults"]

[Text] *"Stimulation is out of the question," Mihaly Kupa, finance minister, has been stating in interview after interview because he would like to see solid economic conditions in Hungary first. But the air is filled with any number of remedies, and while industrial production decreases dramatically, unemployment grows, and the standard of living plummets, there are certain political and economic groups that apparently have no patience to wait for the situation to stabilize somewhat. Erno Kardos interviewed the minister.*

[Kardos] Mr. Kupa, are you sure that the economic processes in this country are governed by the finance minister, that is to say, personally by you?

[Kupa] Unfortunately, I am entirely sure of that. I added "unfortunately," on the one hand, because many question this fact, and on the other, because the situation is very difficult.

#### Who Failed To Do What

[Kardos] I asked you this question because the prime minister had appointed an economic strategy team whose work was only revealed last week. However, you are not a member of this committee. One might ask whether the government still counts on you if you do not participate in the development of such a fundamental document, of such a new strategy?

[Kupa] Three issues must be clarified. The first is that at the time the prime minister appointed this team on his

own accord, Tamas Szabo was still my political under secretary, and it would look pretty strange if I played a role in my under secretary's team. The second issue is that the team includes Mr. Tibor Pongracz, my new political under secretary. Issue number three: I am awfully sorry that this document was brought to light. Namely, this was a strictly secret document, as far as the form of the matter is concerned. As far as the content is concerned, such working papers, which can hardly even be called intermediate, and the professional content and style of which... To say the least, I am glad that the Finance Ministry is not directly involved in them.

[Kardos] In other words you want to say that you do not even agree with these intermediate papers?

[Kupa] The intermediate papers were working papers. I do not agree with them, because, if I may say so, they are completely makeshift, and they contain problems of substance and logical somersaults. Finally, I think the Hungarian public should not be irritated with materials like these.

[Kardos] When the program on economic strategy was published in MAGYAR HIRLAP, you gave a fairly irritated press statement. You said: "If I am not mistaken, I am the finance minister. The government has not yet revoked the Kupa program; it is still in force, and the other one is not." It follows from this that you have certain reservations about the other program.

[Kupa] A revised version of that program has been completed, and it will be discussed by the economic cabinet next week. If the economic cabinet lets it pass, it can be submitted to the government; in this respect, everything is in order, formally. At the same time, no one has announced a new economic policy; the original one is also a growth-oriented economic policy.

[Kardos] In your opinion, how much does this program correlate with your program, the Kupa program?

[Kupa] The Kupa program was designed for four years; in other words, whatever has been gathered together for this new bouquet, without exception, had a place already in the Kupa program. A turnover tax with two rates had been included as a goal as well, but also the accelerated development of the infrastructure, and, furthermore, the necessity for a plan of industrial policy, which we have not had for two years. I am, thus, very pleased that they have assembled here everything that was not done, and by whom, in accordance with the government regulations in force.

[Kardos] Two or three weeks ago in an interview with 168 ORA you said that you were in favor of spontaneous reanimation, not stimulation. In other words, you suggested one wait for the economy to start down the road of any particular development by itself, instead of having the government interfere in a forceful way. If I am not mistaken, last week Tibor Pongracz, political under

secretary of the Finance Ministry, gave a press conference at the headquarters of the MDF [Hungarian Democratic Forum], during which the MDF unambiguously committed itself to acceleration. This, however, contradicts your view. Is it possible that there is tension between you and Mr. Pongracz?

[Kupa] There is so little tension between us that I even went to the campaign meeting in Babolna recently, which is a serious sacrifice on the part of a minister in power. But, seriously, experts from every walk of life have already announced that there has been enough economic restraint, and so on. The first problem is, and here I agree with Laszlo Antall, who analyzed the situation correctly, that in Hungary today there is no economic restraint; one cannot say that economic policy is restrictive in view of the large budget deficit and the relative abundance of money. This is the first basic error. The second is stimulation, which means that one artificially interferes with the economy. Tibor Pongracz did not say that—I read the interview—but, rather, they supported the Kupa program. I have always said that in this respect I have no problems with the MDF faction and the MDF itself. On the contrary, they give me great support. The third issue is that spontaneous reanimation means two things: The first is that the economy will start up by itself; one doesn't need selective stimulation of exports if the exports are increasing by 20 percent, and other such nonsense. The second one is much more important. I have just come from the Academy [of Sciences] where we were discussing, among other issues, developments in the human sphere. The foundation is lacking for a lot of things which are needed for economic growth. There are no telecommunication, no railroad. The government has already approved a lot of things, and when we have done all of them, and we must do them because they were included in the program, then the economy can go on; otherwise it will collapse.

### The Program Can Be Criticized

[Kardos] The Christian Democrats sharply inveighed against the economic policy of their own coalition, of the government. They said that although they would not like to discharge you personally, this entire transition period could have been weathered much easier if you had not been the minister, or if the Kupa program had not carried the weight it did.

[Kupa] That they don't want to discharge me is really a noble gesture. This is namely the prime minister's sphere of authority. But since we are talking about the Christians: I greatly value every party, but I would be glad if the government dealt with reforms in social insurance, pensions, housing, and welfare according to their weights, because they are much more important than having one coalition party make such public statements while a coalition government is in power. This is pretty strange. I am not a coalition partner; looking at it from this point of view, I am a cuckoo egg in the government [the cuckoo lays its eggs in other birds' nests].

[Kardos] You don't like it when your program is criticized?

[Kupa] They are welcome to criticize it. Besides, if the program could not be criticized, it could not be modified according to altered circumstances. Then I would be just as much a stupid "plan" bureaucrat as if we were doing the fourth five-year plan, and I would insist on carrying out this program detached from reality. Let them criticize it. I, too, mix with the people, and they criticize it beautifully. But once the system of conditions for a market economy have developed, it is a dangerous matter when they say things like: Let's cancel the debts of bankrupt companies, let's do selective export stimulation. Forgive me, but these are not things that can be done in today's world, and at the same time the critics give the population the illusion that they could be done. This is like when a manager is at the head of a company, and he is working on getting the company out of a mess, and the same person says, we don't have to do anything, because all of our debts will be canceled.

[Kardos] Tell me, have these statements been discussed or analyzed at cabinet meetings?

[Kupa] No, because cabinet meetings are not an arbitration forum of the coalition. This must be the task of the factions. But during cabinet meetings I have already addressed the issue that I consider such statements very dangerous, because they speak against the coalition government, if I may say so.

### First-Quarter Economic Statistics Reported

92CH0640A Budapest FIGYELO in Hungarian  
28 May 92 p 4

[Unattributed report: "Central Statistical Office Reports; There Are Some Favorable Phenomena"]

[Text] In the first quarter, economic achievements, production, and sales remained considerably under the level of the same period of time last year, in industry and construction, as well as in agriculture (procurement, livestock), and transportation. The decline is continuing to affect bigger enterprises; the productivity of smaller organizations, which are still multiplying, is growing considerably. At the same time, unemployment has increased further. In the financial sphere, the budget deficit projected for the period is much larger than expected. Considerable amounts are lacking from the revenues of the Social Insurance Fund and the Solidarity Fund for the Unemployed. This year again the rise in the real income of the population was somewhat less than the rise in prices; the decrease in the population's purchasing power led to a further decline in the legitimate retail trade.

That the rate of price increases is diminishing further can be taken as a favorable sign. This is true mainly for the industry's price index of domestic sales and for the consumer price index. According to data provided by the



MNB [Hungarian National Bank], the balance of payments in convertible currencies was positive this year, too, and the net amount of debt was further reduced.

In the course of the first quarter, there were a few new developments that might have a favorable effect on the economy if they continue throughout the year. One of them is that the steady decrease in industrial production, which lasted until the end of last year, did not continue; in January, February, and March, the index of industrial volume, disregarding seasonal effects, was greater than in December 1991. And along with this, in a few larger branches of industry, the value and volume of export sales in the first quarter was greater than a year ago. Consequently, the value of all exports was greater than that in the first quarter of last year, while the value of imports was less than in the same period of last year. As a result of all the above, the first three months of this year saw the development of a positive trade balance, as contrasted with the same period last year. The balance of income and expenditures in connection with tourism in the first two months was also positive, although its volume did not reach that of last year's. The value of investments at current prices rose fairly considerably in the first quarter. (See our column "Monitor" on pages 19 and 21.)

#### **Legislative Package on Privatization Described**

*92CH0564A Budapest TOZSDE KURIR in Hungarian  
28 May 92 p 13*

[Article by Dr. Katalin Sebestyen-Szegedi: "The Transformation of the Law on Transformation"]

[Text] Comprehensive, clear-cut, and detailed laws are needed to dismantle an economy based on majority state ownership, and to place the economy on the foundations of private ownership. The needed legal provisions and solutions must be adequate from the standpoint of economic policy considerations and must support the practical implementation of economic policy. These goals have served to motivate the framers of the legislative package, which is composed of three laws.

In conjunction with providing comprehensive rules for the state's entrepreneurial assets, existing legal provisions to transfer state property into private ownership have been examined; thus, for instance, Law No. 13 of 1989, the AT ["Law on the Transformation of Business Organizations and Corporations"—Law on Transformation], was amended several times.

Plans call for the repeal of the AT, while incorporating its changed rules in part into the GT, Law No. 6 of 1988 ["Law on Business Corporations"—Corporate Law] and in part into the the Law Governing the Sale, Utilization, and Protection of Property Temporarily Remaining Under State Ownership, the IATV.

A new Chapter 8 within the GT will provide for the transformation, breakup, and merger of various corporations, while the IATV will provide for the transformation of state enterprises into corporations. Beyond that, Chapter 5 of a legislative proposal concerning the Management and Utilization of Entrepreneurial Property to Remain Under Long-Term State Ownership, the TATV, will include provisions related to the transformation of state enterprises.

As planned, Chapter 8 of the GT and Chapter 5 of the IATV will contain the so-called common rules of the AT, providing a general schedule for transformation.

The most important provisions to be included in the GT concerning transformation among corporations are as follows:

Transformation among corporations continues to be possible in two ways. Under one of the forms—the more frequently occurring form—the legal character of the firm changes. In such cases a company that transforms itself changes its "outgrown" form (e.g., unlimited partnership or limited partnership) into a more complex form (e.g., limited liability corporation, stock corporation), or changes back from a more complex form into a simpler form. In the other case no change in the legal character of a company occurs, but instead two or more corporations merge or break up.

In contrast to transformation, however, mergers are not permitted with respect to all corporate forms. Similar to the provisions of the AT, the legislative proposal would permit only the merger of corporations having an identical character. Further, it would permit limited partnerships to merge with unlimited partnerships, and limited liability corporations with stock corporations.

The authority of the law does not cover corporations subject to final settlement or liquidation. (Accordingly, such corporations cannot transform themselves.)

Companies transforming in either way must prepare a transformation plan or an agreement on preparation [as published] (breaking up), and a financial statement also in the future.

Transformation must be decided by a majority vote of the highest organ of a corporation; a unanimously adopted resolution is required in unlimited and limited partnerships.

In stock corporations subject to transformation, stock redeemable by the bearer must be changed into registered stock, and the names of stockholders must be entered into the stock registry. In such instances, however, the stock certificates need not be printed, because the stock must be withdrawn within 30 days after a court order providing for the registration of the new company as a firm.

Transformation plans must continue to include statements as to the intended economic goal.

Rules pertaining to balance sheets are being changed. Provisions pertaining to the appraisal of property and the balance sheet conform with the requirements established in Law No. 18 of 1991 concerning accounting procedures.

The proposed balance sheet must be audited by an independent auditor. (Accordingly, the auditor must not be the same as the one to be employed by the future company.)

Transformation also provides an opportunity for a company to revise its assets and obligations as shown in (earlier) financial statements, this, however, remains a nonmandatory provision.

In a manner similar to decision concerning transformation, the acceptance of the transformation plan and the financial statement is subject to the qualified [majority] vote of the highest organ in a corporation, and to a unanimous vote in partnerships.

Generally speaking, transformation is accompanied by reorganization and by changes in the number of personnel. For this reason, a new rule provides that employee interest groups be informed of decisions concerning the transformation of a business organizations.

Decisions to transform must be publicized twice in CEGKOZLONY.

Business organizations established as a result of transformation become the general successors to the previous corporations. For this reason, the entitlement provided by permits issued by authorities prior to transformation will be transferred to the new corporation, and tax benefits to which the previous organization has previously been entitled will also be transferred to the legal successor. Claims established against a transforming corporation will not expire either as a result of transformation.

The establishment of a new corporation must be reported within 30 days from the adoption of a resolution to transform, or from the approval of a corporate agreement, the bylaws or an agreement to merge to the court of registry having jurisdiction at the place where the headquarters of the new firm is domiciled for purposes of recording and public notice. Simultaneously with the reporting of the establishment of the new firm, the discontinuation of the legal predecessor must also be requested.

The new corporation must prepare a final balance sheet as of the date of transformation within 90 days from registering with the Court of Registry. The positive balance appearing in this balance sheet, or the company's own capital as shown in the draft balance sheet, must be regarded as an asset in addition to the basic or founding capital. Unless reserve capital requirements established by law cover negative balances, the managing director or the board of directors is obligated to call an

extraordinary meeting of the members, or a general meeting, to lower the amount of the founding (basic) capital.

## Issues, Politics Related to State Budget Law

### Key Issues Described

92CH0625A Budapest FIGYELO in Hungarian  
21 May 92 p 5

[Article by G.K.: "On the State Budget Law"]

[Text] The debate on the details of the state budget law began last week. The bill was submitted last June by the administration and the general debate began in late August, but it was then discontinued because many other bills had priority.

On the basis of the general debate and the submitted proposals, a few characteristic debate issues developed. The first was whether this bill provides all-encompassing and detailed regulations on the responsibilities of the state. According to those who submitted proposals, no law can include such regulations, meaning that making this bill into law would not be tantamount to a reform of the state budget. The second was how strict the management and accounting of the state budget should be. The proposal makers advocate strictness, and the FIDESZ [Alliance of Young Democrats] also supports this recommendation. The third was how the statute should regulate the budget of local governments.

Of course, the state budget bill must be in harmony with the law governing the State Accounting Office, with special regard to the preliminary audit of the budget and the rights of the State Accounting Office director's signature of authorization. An important question is, how the timetable for the budget's approval should be prepared, i.e., what the deadline of [the budget's] submission to parliament should be, and how much time for the various debates should be allowed so that it can be closed before the last day of the year.

### Politics Discussed

92CH0625B Budapest HETI VILAGGAZDASAG  
in Hungarian 23 May 92 pp 99-100

[Article by Aniko Szanto: "State Budget Law; Stretching Exercise"]

[Text] While the governing parties are trying to be done with the budget reform by approving the state budget bill, the 1992 budget deficit is a warning signal that it is unavoidable for the government, less than two years before elections, to initiate reforms in the interest of moderating state reallocations, even if this should cause social upheavals.

Representatives will have sufficient time this year—at least "on paper"—for the debate on the 1993 budget if parliament will approve Bela Csepe's (Christian Democratic People's Party, KDNP) legislative proposal on the



state budget, namely: "By 30 May, the finance minister should prepare and submit to the administration the budget policies that determine the main allocations for the following year's budget planning. By 30 June, the administration should brief parliament on the following year's economic policy program and on the budget policy's main directions. By 31 August, the finance minister should submit to the administration the budget proposals prepared by the ministers. By 30 September, the administration should submit to parliament the budget bill for the following year, also enclosing the drafts of the state budget balances."

At its meeting last week, the Budget Committee gave its blessing to this modification proposal, forgetting the big dilemma at the legislation of this year's budget caused by the administration submitting the budget policies to parliament last September as only "information." The present committee decision is not an unequivocal indication either whether or not the legislators wish to vote on the state budget balance. The Constitution requires that "parliament shall determine the state budget balance and approve the state budget and its implementation." The question is whether the House of Representatives has the right at all to make a decision on state budget provisions that also include the combined budget of more than 3,200 local governments—that is, if it is seriously committed to the concept of local government. If yes, then the modification of the Constitution should also be initiated together with the budget bill, as it would be appropriate for a constitutional state.

At last week's meeting of the Budget Committee, no doubt the only thing that representatives concentrated on was to be able, if only once, to discuss next year's budget on time. Contrary to the administration's original intent, Bela Csepe's modification proposal would like to see the time of the central budget's discussion brought forward by about two weeks or a month, and in addition, the code of budget to take effect right at the bill's legislation instead of 1 January 1993. This budget "dance card" was also supported by the attending experts of the Ministry of Finance.

All this happened precisely at the meeting in which Zoltan Nagy, Ministry of Finance public administration state secretary, reported, as a subsequent item on the agenda, on the processes of the budget during this year's first quarter, arriving at the conclusion that "we must talk not about the budget but about economic policy" (HETI VILAGGAZDASAG 11 April 1992). "But no one yet knows the condition of our economy." At this time he corroborated a recent statement of the finance minister that June will be the earliest date when the administration "will come into the picture." Thus, in view of the representatives' summer recess, we can expect an additional budget only in the fall.

For the time being, no script has been written for what will happen if the philosophers' stone does not find its way into the administration's pocket by June or if the mission of the International Day of Exchange arriving in

Hungary in late May or June, will not give its blessing to this year's deficit that has been estimated even by the finance minister to amount to at least 110 billion forints. In that case it is unclear how the administration would be able to submit to parliament its "next year's program of economic policy and the budget policy's main directions." And, most importantly, there is no answer to the question of how the administration will be able to handle the budget crisis any better than in 1992 by facing the same contradiction as this year, namely that the trimmed national economy does not provide enough revenues for the "caring state" to honor its commitments. At the same time, in his opening statement last week at the parliamentary debate on the budget bill, Finance Minister Mihaly Kupa was only able to say of the reform aimed at cutting back on reallocations that "The budget reform can be implemented on the basis of this—i.e., the budget bill."

The budget bill, which was incidentally submitted to the House of Representatives last June (HETI VILAGGAZDASAG 2 June 1991), deals only with the budget's "code of dance and etiquette," not with its essence. As MDF [Hungarian Democratic Forum] representative Pal Becker subsequently characterized it, the bill is like "regulations on organization and operation." It is indeed stated in one of its passages that "the tasks and requirements of the state are regulated by separate laws." Although at the general debate last August-September, Gyula Gaal (SZDSZ [Alliance of Free Democrats]) made a proposal that "in order to successfully continue with the budget reform, the administration should submit to parliament a list of those separate laws within half a year and submit the prepared bills by 31 December 1992 at the latest." His proposal was not backed by a single committee, claiming that it should be taken care of by the "Kupa program."

Thus, the budget bill is far from being identical with the budget reform. It is a framework statute which contains "the most important rules of the operation and control of the central government, the separate state funds, local governments, and social security." It summarizes the budget-related responsibilities of parliament, the administration, and the individual members of the administration. Beginning with [the description of] how to put together, approve, and implement the budget, all the way to [the description of] when and from what [organization] qualified persons can expect state assistance. There is a separate section in it for the budget institutions, e.g., schools and kindergartens, and for the management of state assets as well as for the budget's information and balance system.

But the bill is way too general. For instance, it does not include any description of the way the state budget must be made public or the way uniform accounts for the state budget must be kept. As KDNP representative Nandor Rott wrote last September, "The budget structure...is missing in this bill." In this connection, Klara Ungar (FIDESZ [Alliance of Young Democrats]) proposed for instance that the bill should be supplemented by the

administration's responsibility to "submit to parliament by 30 June 1992 a bill on the state budget's accounting...and information and balance system." However, the committees rejected it last year, occasionally noting an alleged lack of time.

This is one reason why it is strange, as the House of Representatives began again last week, half a year after the general debate, dealing with the regulations on decision making and processes related to the state budget, that the discussion elicited little interest. At least this is what the fact that two hours were enough to bring the detailed discussion to an end, and that the representatives were "all gone" by then, suggests. During the past two weeks, the 75 modification proposals, already discussed by the committees last fall, were not discussed again, not even in the committees.

The committees dealt exclusively with the 40 modification proposals newly submitted by Bela Csepe (KDNP), Katalin Remport (MDF), Bela Horvath (MDF), Sandor Komor (MDF), and Attila Zsigmond (MDF). Allegedly, a large part of these originated from the administration itself. For a few weeks ago the cabinet was still of the opinion that the bill still had some rough edges. However, the administration may not make any direct modification proposal concerning a bill that is on the floor of parliament unless it retracts the entire bill; this is why it was forced to "lobby" its own representatives in order to have them present modification proposals "recommended" by the administration.

It is worthy to note that last summer the administration enclosed in the state budget bill a supplementary draft of a parliamentary decree. In it we find that "parliament is to set up an ad hoc committee to survey the present system of state responsibilities, and assist the administration by making recommendations in its work to change the system of state responsibilities. Deadline: 30 November 1991." To date, no committee has been set up and presumably, SZDSZ and MSZP [Hungarian Socialist Party] representatives do not mind that. Gyula Gaal, SZDSZ keynote speaker on the budget, rejected it at last year's general debate in late August and early September, and former finance minister and MSZP keynote speaker Laszlo Bekesi even called it cynical that "a parliamentary committee should try to do what the administration does not even try; lacking adequate professional conditions and background, it should openly specify those state responsibilities which cannot be financed."

It is not inconceivable that Mihaly Kupa was motivated by his "government isolation" in proposing that a parliamentary ad hoc committee should be set up; he was left to stand alone with his urging to cut back state reallocations. The preparation of the bills—on public education, professional training, higher education, research, the press, the National Cultural Fund, social security, retirement, health, housing, and social issues—needed for the state budget reform and listed in the administration's program entitled "The Program for Change and Development of the Hungarian Economy,"

promised for 1991, has not been done, just as the preparation of the bills on the assets of the treasury, customs, or the various separate funds have not, even though the finance minister promised the state budget reform for last year.

It is possible that, with this proposal of his, Mihaly Kupa, finding himself in hot water, expected representatives' help against state bureaucracy and against government parties' statist endeavors; on the other hand, it as a fact that he could have shared the responsibility this way. The situation has changed somewhat by now: If, because of the budget deficit that has been growing for three years, the International Exchange Fund would cut back credit to Hungary, causing a worsening of the Hungarian National Bank's possibilities for drawing credit, then the government parties would also be glad to share with the opposition the responsibility for the unpopular measures. For it is becoming increasingly evident that this kind of a budget can hardly endure two more years. However, the government parties have probably already lost this opportunity to cooperate with the opposition.

#### **Budapest Court Chief on Bankruptcy Wave**

92CH0640B Budapest MAGYAR NEMZET (Economic supplement) in Hungarian 25 May 92 p III

[Interview with Sandor Piskolti, chief of the Budapest Court Economic Section, by Durst; place and date not given: "Liquidations—Thick and Fast"]

[Text] *By the end of the first quarter of this year, 1,098 bankruptcy declarations and almost that many requests for liquidation had been handed in to the Budapest Court. According to Sandor Piskolti, chief of the Economic Section of the organization, the financial situation of a large number of companies declaring bankruptcy is so bad that there is no hope for an agreement. For this reason, instead of speaking about a wave of bankruptcy, one should talk about a wave of liquidations.*

[Durst] Experts claim that liquidation and bankruptcy proceedings can only be viewed in connection with each other. In order to understand the connection, it is worth clarifying what the difference is between bankruptcy and liquidation.

[Piskolti] Bankruptcy is much more favorable for economic units than liquidation. Bankruptcy can only be initiated by the debtor against himself. In the course of the bankruptcy proceedings, he has a chance to settle his temporary problems of liquidity, with the help of his lenders, during a 90-day moratorium on payments. If he cannot come to an agreement with his lenders about the refinancing of his debts in three months, the court will initiate liquidation proceedings against him.

[Durst] Compared to bankruptcy, does liquidation mean the end of the firm?

[Piskolti] Liquidation proceedings can be initiated on the request of the lenders, the debtor, and the authorities (the

court). A lender can submit such a request if he has an acknowledged claim which he cannot collect, whereas the debtor can do so if he does not want to declare bankruptcy because he considers himself insolvent to begin with. However, even in the course of these proceedings, agreement can be reached, but, unlike in the case of bankruptcy, this agreement is compulsory. Namely, it also involves lenders who did not participate in the arbitration.

A further difference between bankruptcy and liquidation is that in the former case the activity of the entrepreneur is not restrained during the moratorium, while in the latter situation the rights of the employer are assumed by the liquidator, and he disposes of the company's property. The lenders are repaid from the sale of that property. In the end, the only thing to do is to dissolve the economic unit.

[Durst] How did the number of bankruptcy declarations and requests for liquidation look in the first quarter?

[Piskolti] From 1 January to 31 March, 202 bankruptcy declarations and 678 requests for liquidation were submitted to the court. They affect 880 economic units altogether. The declarations received in April are worth examining by periods: From 1 April to 14 April—i.e., including the critical 8 April, the day on which the bankruptcy wave started—we were notified of 875 bankruptcies and 319 liquidations. In the period of 14-30 April, the number of bankruptcy declarations increased to 1,098, and the number of requests for liquidations to 1,076.

[Durst] This applies only to Budapest. How many bankrupt companies could there be in the entire country?

[Piskolti] The Budapest court deals with approximately 62-65 percent of the total number of cases.

[Durst] If we examine the content of bankruptcy declarations, what trends can be observed?

[Piskolti] Experience teaches that a considerable number of cases are not bankruptcies, but rather liquidations. The financial situation (debts, amounts outstanding) of many companies declaring bankruptcy is so bad that there is obviously no hope for an agreement. This proves the thesis I have voiced for a long time that the economy displays not a wave of bankruptcies, but rather a wave of liquidations.

[Durst] Which means a much worse situation than a wave of bankruptcy would mean....

[Piskolti] Exactly, because in that case there would be hope for recovery. Obviously, a number of companies risk bankruptcy because they hope to gain the three month postponement to improve their situation. However, this is only playing for time. During this period the debts will only pile up, since the claims of the lenders continue to collect interest, and punitive interest is also imposed on them; thus, the position of the lenders deteriorates further.

[Durst] Economic researchers are complaining that the situation is worsened by the limited inclination of lenders to compromise, to come to an agreement.

[Piskolti] This is indeed the case. It is necessary to understand that a rigid position results in serious losses. It is now more reasonable for the lender to agree to cancel 30 percent of the amount outstanding than to hope to receive 100-percent compensation after the liquidation of the firm in debt, which will occur at the latest within two years. Even if full compensation occurs, and the examples are not too numerous, the money loses much of its value in two years.

#### Number of Bankruptcy Declarations From 1 Jan-31 Mar 1992

	Voluntary	Obligatory
State-owned companies	7	28
Cooperatives	18	18
Stock companies	2	15
Incorporated companies	30	80
Deposit companies	1	1
Unlimited partnerships	2	0
Total	60	142

#### Liquidations From 1 Jan-31 Mar 1992 by Initiators

Self-initiated	103
By lender	572
Namely:	
Bank	7
APEH	118
Social Insurance Administration	2
Other	445
Parent company	3
Total	678

#### Liquidations From 1 Jan-31 Mar 1992 by Kinds of Organizations

State-owned companies	90
Agricultural cooperatives	7
Cooperatives	174
Economic partnerships	118
Namely:	
Associations	2
Joint companies	1
Stock companies	41
Incorporated companies	317
Deposit companies	26
Unlimited partnerships	20
Total	678

**POLITYKA Weekly News Roundup: 31 May-6 Jun**

92EP0484A Warsaw POLITYKA in Polish  
No 23, 6 Jun 92 p 2

[Excerpts]

**National News**

[Passage omitted] Jan Parys, the former minister of defense who was removed by the Sejm from his position, has announced the formation of a new political structure that is to unite the independence right and to combat the leftist forces, especially the Democratic Union (UD), whose program "has lost sight of the nation's interest and keeps Poland in the postcommunist order." On the justification of the decision of the Sejm commission which questioned him, Parys said: "If it is such dilettantism, and de facto false, then it is hard to respect that decision." Radoslaw Sikorski, deputy minister of national defense, and Krzysztof Wyszowski, former adviser to the prime minister, were guests at the press conference of the former minister.

Changes at NOWY SWIAT: Piotr Wierzbicki, the editor in chief, submitted his resignation. In his farewell text, he wrote: "On Wednesday afternoon, the supervisory council of the partnership that publishes the paper imposed political conditions on us. The supervisory council will not teach journalists what and how they are to write.... We wanted to save NOWY SWIAT as an independent paper. We failed." In the next issue of the paper, a correction by Jerzy Grohman, the president of the Independent Publishing Institute, appeared: the council removed P. Wierzbicki from the board of the Independent Publishing Institute leaving him as editor in chief. P. Wierzbicki did not agree to the division of the two positions and submitted his resignation; the Independent Publishing Institute does not intend to change the political line of the paper: "We will, however, present it differently and refer to the basic principles of culture, honesty, and truth. We are still an independent conservative paper." [passage omitted]

Zbigniew Romaszewski, the new president of the Radio and Television Committee, announced a return to the programs "Letters on the Economy" with Andrzej Bober, "Events of the Week," and "100 Questions." But he cancelled the serial "To the Dawn." The former television president and creator of the serial, Jan Purzycki, says that beginning on 15 June 1992, television would cease subsidizing the production of the serial from advertising income; as a result, the 4 billion zlotys [Z] already invested in the serial will never be recovered. "President Romaszewski has been deceived and led about by the nose."

Roman Galuszko, age 21, has been sentenced to 18 months in prison for refusing military service. He wanted to perform alternative service because of "his religious convictions." In the opinion handed down by a panel of the Military Chamber of the Supreme Court, its chairman Col. J. Medyk declared that "the sentence will

serve as a deterrent to others who do not want to serve in the army" and there is no reason to refuse military service for religious reasons "as there is a field bishop" for the Polish army. [passage omitted]

The interparty forum for the Organization of State and National Holidays is to be formed in Lodz by the officers of the Lodz organizations of the Polish Peasant Party (PSL) and the Confederation for an Independent Poland (KPN), according to the Polish Press Agency (PAP). Various holidays coincide with each other. "There are celebrations to which we are invited simultaneously by the church or by the state voivodship officials. We must coordinate them," declared M. Labedzki, secretary of the Voivodship Committee of the Polish Peasant Party (PSL).

On Saturday, the presidents of the 18 largest firms operating in Poland formed the Polish Business Council in Kielce. The board of the Polish Business Council includes president Jan Weichert and six deputy presidents who chair the commissions: Janusz Kulczyk (privatization), Witold Zaraska, president of Exbud (finances), Zbigniew Niemczycki (investments), Willy Delvaux, representative of Procter and Gamble in Poland (the market and marketing), David Hunter of Asea Brown Boveri (education), and Jaroslaw Ulatowski, head of Calex (production).

**Opinions**

**Prof. Miroslaw Marody, Institute of Sociology of Warsaw University:**

(Interviewed by Dominika Wielowieyska, GAZETA WYBORCZA 30-31 May 1992)

[Marody] The issue of agents' files will end; the case of the files of current tax snitches will begin. Later we will check who is morally pure, whether someone is living dissolutely or whether he goes to church regularly.

As a voter I would prefer my representative was a person who might have been forced to cooperate at one time with the Security Service but is substantively good rather than someone who is morally pure but has no idea about his duties. [passage omitted]

**EC Association Agreement Called Compromise**

92EP0477A Warsaw GAZETA WYBORCZA in Polish  
27 May 92 pp 12-13

[Article by Janusz Jankowiak: "Awaiting Europe"]

[Text] What is the association agreement with the European Community all about? In a nutshell, it means less than membership in the Community but more than a trade treaty. The agreement is a political and economic compromise. And, because it is a compromise, it is vulnerable to various attacks, as we witnessed last week in the Sejm.



The criticisms of the agreement should be carefully separated into two groups: ideological and substantive.

The ideological attacks proceed, speaking broadly, from the following premise: The agreement does not make sufficient allowance for Polish national interests. The supporters of this argument point to loss of sovereignty for the sake of a supranational organization like the European Commission. They contend that Poland should not agree to concessions of this kind. They readily point to the debate currently underway in Europe, preceding the ratification of the Maastricht agreements.

### The Shod Frog

True, in the course of debate the concept of nationalism has resurfaced, contrary to optimistic forecasts. But it also is worth noting that in the West this concept is traditionally interpreted quite differently than in Poland. Our spokesmen for national sovereignty behave like the frog which puts forward its foot when a horse is being shod. In the West the future of West Europe after 1996 is being pondered: the common currency, the single central bank, the right to vote in municipal elections regardless of nationality and solely on the basis of domicile. Similarly, in the West the consequences of the adoption of binding political decisions passed by a majority of votes within the European Council of Ministers are being debated. The growing budget of the European Commission (whose membership is expected to increase by one-third within the next five years) and the scope of the powers of the Brussels bureaucracy, with the huge funds they involve, are the subject of incessant criticism.

### The "Virtue" of Sovereignty

It would be totally absurd for us, in connection with the association agreement, to shout about the "diktat of Brussels" and point at London, Paris, or Bonn, saying: "They also are complaining about it." But it is not the same thing. Let us consider it soberly. Over there in serious discussions the status quo ensuing from the Uniform European Act is not questioned. No one who is of sound mind desires to deprive the European Commission of the power to guide the Community's overall trade policy. No reasonable man doubts the need for the existence of the European Economic Space or the European Currency Mechanism—even though all this curtails the freedom of governments to determine their own domestic economic policies.

In many Western capitals the transfer of yet another portion of national sovereignty to the hands of that supranational organization is being debated, sometimes sharply. That is true. But ways of recovering that portion, which has been already voluntarily and irreversibly surrendered, are not being debated, because that would be certain to cause the collapse of the world as we know it.

Let us bear in mind that Poland will still have to wait long before it can ratify the Maastricht Treaty. For the

present we merely aspire to getting linked to Europe via a free trade zone and subsequently starting negotiations to join the Common Market. We should pay close attention to various aspects of the debate on "deepening" and "broadening" the Community, because this is of direct concern to us. We have every right to critically view various aspects of our association agreement, but let us watch out lest we become ridiculous—yet that precisely is the danger involved in any ideological defense of the "virtue of sovereignty." Let us rather focus on several major substantive aspects of the association agreement.

### No Guarantees

In June 1990 the European Commission received the approval of the Community's Council of Ministers to start negotiations with the governments of Poland, Czechoslovakia, and Hungary. The initial positions of the parties on the political meaning of the association agreements differed. The postcommunist countries, which anyway took a long time to synchronize their own strategies, placed emphasis on gaining the assurance that association status will culminate in automatic membership in the Community. The other side stressed that this is not customary. For example, Turkey has been associated with the Community since 1963; Malta, since 1970; and Cyprus, since 1972. The so-called transition association status (as opposed to ultimate association) of Greece lasted 20 years, and it can be surmised that had the membership application of that country been considered now rather than in 1961, it would have been declined.

In the course of the negotiations at one moment the question of "affiliated membership" for Poland, Czechoslovakia, and Hungary had arisen. The spokesman for this concept, involving passive participation in the Community's decisionmaking processes (without the right to vote) was Frans Andriessen, the Community's commissioner for external relations. That was, so to speak, a maximalist position—the most that the postcommunist countries of Central-East Europe could count upon.

The concept of affiliation was discarded rather quickly. But soon afterward it was suggested that an amendment referring to membership as the ultimate goal of the association be incorporated in the preamble to the association agreement. However, the political meaning of this unprecedented provision was "hedged" by also incorporating in the preamble statements stressing differences in the economic growth level and the need for Poland to meet many institutional and legal prerequisites for full integration with the Community.

Thus a generalized political declaration was made without offering automatic guarantees. That is because the association agreement was concluded for an indefinite period of time. Let us not be misled by the 10-year "transition period." That is merely the minimum time frame following which Poland may—but will not automatically—join the Community via the free trade zone

for industrial products. What about later? It is hard to say. After all, the "transition period" may be lengthened. It is in our interest for this not to happen.

In a sense the political significance of our association agreement is similar to that of the understanding between the Community and the member countries of the European Free Trade Association (EFTA). In both cases the point is the postponement of complete institutional integration with the Community while at the same time combining the economies for the purpose of free trade.

It seems that the political problems of the European Commission in gaining acceptance for the plans to "deepen" the integration of the Twelve and the attendant uncertainty as to the size of the budget were the factors most responsible for the biggest flaw in the association agreement with Poland, namely, the absence of a financial protocol.

#### No Money

Although here the point is money, I consider this compromise on the Polish side to be a concession of a noneconomic kind. Our negotiators have gained a political statement in the preamble but, despite their efforts, they did not obtain any guarantees of regular financial support to a specified extent, such as is usually practiced when concluding an association agreement.

The agreements with Greece, Turkey, and Cyprus specifically stated the amounts, schedules, and forms in which these countries would be provided with funds to promote structural changes in their economies. Under several separate financial protocols the Community transfused to the poor associated countries billions of dollars in direct assistance and credits.

During its negotiations with EC, Poland had proposed a financial protocol. It was rejected. Why? Because such is at present the EC's strategy toward the postcommunist countries. And here no major changes are to be expected. They will certainly not be prompted by voices of outrage in the Polish, Czech, Slovak, or Hungarian parliaments. Even the best negotiators would not have accomplished anything on this issue either. Such is the truth. It is doubtless unpleasant. It has to be accepted.

At the present stage it has not been possible to accomplish anything more than a declaration of general credit support to assure the convertibility of the zloty, restructuring, economic stabilization, and a balanced balance of payments.

The entire Central-East European region is gripped by political and economic uncertainty. The community is about to commence the second stage of the "Delors Plan." That will happen at the summit meeting of the Twelve in Lisbon toward the end of June. And if their and our situations become clearer, the issue of financial protocol could again be raised. That is simply the earliest this can be done.

#### Two Prospects

The third part of the association agreement clearly distinguishes between two domains in which trade is to be liberalized: manufactured goods and agricultural and food products. (The chapter on fisheries simply refers to ongoing negotiations.) Only in the domain of manufactured goods, total elimination of tariffs is envisaged by the end of the "transition period."

Poland is to gain free access to the Community's market by the end of 1997; and the Community is to gain free access to ours beginning in 1999. The marked asymmetry of the association agreement is such that about 55 of Polish exports and 27 percent of Polish imports are to be immediately granted duty-free status. The next stage in the elimination of tariffs will concern "vulnerable goods" which are among our major exports (cement, chemicals, casein, rubber, glass, porcelain, hides, copper, furniture) and steel, or altogether close to 30 percent of the value of our sales on the Community's market; this stage will, however, begin only in 1997. Beginning with 1998, the EC's duties on Polish textiles (15 percent of value of exports) will be abolished. In that commodity group, however, import quotas will be retained, though gradually reduced, by the EC.

Until their complete abolition, the EC's duties on goods imported from Poland will be reduced by 15-20 percent of the basic rate annually, while the first of the five equal reductions in duties on goods exported to Poland will commence in early 1985. (A separate appendix enumerates ways of liberalizing trade in automotive vehicles.)

It can be seen from this that the overall "protection period" for Polish industry will last no longer than three years.

For rather obvious reasons, the association agreement does not mention a free trade zone for foodstuffs. Neither the Community nor Poland desired free agricultural trade. In general, in the context of future membership in the Community, this matter looks rather hopeless. As estimated by Professor Dorota Czykier-Wierzba, trade liberalization at present would have to mean that of the 3.6 million employed in our agriculture not more than 160,000-200,000 would withstand competition with the EC. Let this be a proof of the urgency of restructuring Polish agriculture, and quite separately from the abolition of protectionist barriers and farm subsidies within the Community at that.

#### Two Strategies

Thus, for the "transition period" the association agreement assures only partial liberalization of trade (reduction of trade barriers). This concerns six groups of products exported by Poland, for which equalization fees and duties will be reduced and quotas increased. We on our part pledged ourselves to slightly reduce (by 10 percent) our duties on one-sixth of agricultural and food imports from the Community and to abolish quantitative restrictions on these imports within five years.



Properly speaking, there is a consensus among economists that in the short run the association agreement will not result in an explosion of Polish exports. No one either questions the assumption that in the long run, over five to 10 years, the agreement can turn out to be advantageous to Poland, insofar as it will prompt our products to become more competitive. This has been confirmed, already while the negotiations were underway, by government commissioned simulation tests of the macroeconomic consequences of the commercial part of the treaty. The growth ratio of imports to exports has turned out to be more favorable to the Community than to Poland. How did it happen? Principally because of two factors. First of all, the Community's restraint in opening access to markets for the kinds of products in which Poland excels as regards a relatively low production cost. Second, the expected behavior of our exporters, who have to choose between two strategies: They can reduce their prices in proportion to the reduction in duties, or they may charge the same prices as before. The first strategy naturally enhances competitiveness. The second is easier and produces tangible and immediate effects by causing an increase in the effectiveness of exports.

Unfortunately, as can be readily guessed, it is highly likely that many Polish exporters will choose the easier strategy. As a result, the reduction in or abolition of duty tariffs will not lead to lower prices of Polish goods on Western markets. Therefore, the benefits will be temporary and will be divided between producers and middlemen, without any marked increase in exports.

Even in this case, though, it would be unwarranted to object that the association agreement is unfavorable to Poland. The conclusion is merely that advantages to discrete exporters are not tantamount to advantages to national interest.

#### Protective Clauses

A similar conflict arises, besides, between the need to protect the domestic market and the interests of the buyer—the importer or the consumer. It is not true that the association agreement will immediately cause our uncompetitive producers to “croak.” The government has a guaranteed right to resort in justified cases to the protective clauses contained in the agreement. The “Restructuring Clause” permits the protection, by raising duties, of new subsectors of industry and domains subject to structural transformations or whose collapse “would entail grave social consequences.” However, the duties can be increased only to a maximum of 25 percent for a period of not more than three years, and the increases may concern at most one-sixth of the value of industrial imports from the Community. The agreement also provides that the “Restructuring Clause” may not be resorted to after the expiration of the “transition period.” What is more, the intention to increase duties must be publicized in advance and must gain the acceptance of the Association Council.

It also is possible to resort to an article in the agreement that considers Poland to be a “problem region.” This assures a more liberal approach to the state intervention in the economy and to state assistance to enterprises, than in the countries of the Community. That is an important issue to us. For there is no doubt that we shall be unable to adapt ourselves within three years to the rigorous rules of competition binding within the Community. The process of restructuring will require active support from the state and influx of foreign capital.

The question of that influx remains, however, unclear. Well, formally speaking, under the agreement, the European Commission has the right to prohibit the sale of a Polish company to an investor, an Asian one for example, if this should result in “a marked improvement in his position on the market of the Community.” There remains the hope that in this case, too, the “problem region” clause could be resorted to.

#### The Association Corset

The final text of the agreement was basically decided by two factors. First, it was obvious that a rapid liberalization of trade would be difficult to accomplish with respect to the “vulnerable products” important to our exporters. Second, early in 1990, “unilateral disarmament,” as Polish negotiators—and Western experts, too—termed it, occurred in foreign trade. Basically, we abolished all restrictions other than duties. There was not much left for us to abolish during the negotiations. Compared with Hungary or Czechoslovakia we were, and still are anyhow, to this day a model of free trade. Yet the Community operates an entire arsenal of non-tariff instruments and, reducing precisely these barriers was offered to us in the agreement. Thus, from the standpoint of our negotiators, our starting position for bargaining has not been the best.

The agreement achieved resembles a tight corset. The economy will be exposed to a strong outside pressure. We must, however, realize that the requirement of competitiveness, indispensable to restructuring, is not at all that suicidal. The association agreement contains safety valves. The corset can be loosened. The point is not to do it too hastily, ceased to exist. Much depends here on the circumspection of successive governments on their resistance to the already easily foreseen pressures.

The European Community has experience with association countries which did not adhere to the agreed upon schedule. This never ended with the agreements being broken. Rather, it meant adding on consecutive years to those already spent in the “waiting room.”

#### Business Leaders View Russian Trade Prospects

92EP0493A Warsaw RYNKI ZAGRANICZNE in Polish No 61, 21 May 92 p 3

[Article by Marek Slawatyniec: “Barriers and Opportunities: Polish-Russian Trade”]

[Text] *The visit of President Lech Walesa to Russia prompts reflections on the present state and prospects of bilateral trade. Owing to the geographical position of our country and for many other reasons as well, the Russian market should play an important, if not the most important, role in our exports. Yet, ever since the reform process began in Poland, the share of Polish-Russian trade in our overall foreign trade has been steadily declining.*

*We asked more than 20 foreign trade enterprises, chiefly those that had until 1989 been strongly linked to the then Soviet market, about the causes of this situation. We asked them to assess, as exporting firms, the institutional framework for Polish-Russian trade, the principal barriers to Polish expansion in the East, and the advantages we hold compared with Western suppliers. Below we cite in abridged form the more interesting answers.*

**Zbigniew Towianski, Director of Navimor, Inc.:**

A major item in exports to the former USSR used to be the repair of seagoing, river-and-sea, and special vessels. These exports were implemented under trade agreements and in 1990 they reached about 180 million transfer rubles on the annual scale. At that time, too, a bilateral agreement was signed under which the USSR granted 200 million transfer rubles (including \$20 million) for the expansion of Polish repair shipyards. At the same time, Poland pledged itself to increase ship repairs to 900 million transfer rubles during 1991-95 and 1,100 million transfer rubles during 1996-2000, in 1985 prices.

Once trade began to be based on convertible currencies, orders declined. At present, the needs for repairing the ships of the countries of the former USSR (including Russia) are still very large, but the shortage of convertible currencies and payments difficulties have resulted in a practically total absence of new orders, and repair work on the ships already in dock under contract has been halted at the shipyards.

We estimate that, until the issue of payments is settled with the CIS [Commonwealth of Independent States], a free currency market is opened, and the banking system streamlined, we cannot expect to get any major contracts along with payment guarantees, even though the needs of CIS shipowners are large.

**Dr. Andrzej Skowronski, Chairman of Elektrim Trading Society, Inc.:**

We have been present on the markets of the former USSR for 47 years and we do not intend to relinquish our presence. On the contrary, despite the switch to payments in convertible currencies, the fund shortages, the decline in exports, the continuing growth of indebtedness, the decline in investments, and other negative trends, we are intensively exploring ways of expanding the volume of our trade in years to come. Not so long ago it had seemed that barter deals would be the solution, but the high tariff duties on exports of Russian products introduced as of 1 January 1992 nullify or at least markedly restrict this approach.

Last year, trade between Elektrim and the former republics of the USSR was \$65.5 million. Owing to the switch to payments in hard currencies, it is not possible to calculate accurately the decline in the volume of trade. Our experts do not agree in their appraisals: Some claim that the present difficulties will get exacerbated over the years. Therefore, in addition to the trade in Elektrim's traditional goods, trade in other products, especially in consumer and producer goods, should be actively developed. Other experts point to the increasing decentralization of power and the shifting of the point of gravity in the direction of the young republics, some of which have a chance to bounce back from the bottom, which would create the conditions for signing new contracts.

We believe that it is an asset of Elektrim that it maintains its own representative offices in Moscow, St. Petersburg, Kiev, and Minsk. In addition, we operate joint enterprises in Rostov, Volgograd, and other cities. The network of state and private agents is the third factor promoting expansion to those markets. Compared with many Western companies, which also are penetrating that territory, we are, it seems, better oriented and know how to move better in the new situation over there. Unfortunately, this still is too little. Polish capital is weak and relatively uncompetitive compared with Western capital. In addition, an economic policy strategy is yet to be worked out for our country vis a vis Russia and other countries of the former USSR.

**Jerzy Stefanski, Director for Economic and Financial Affairs, Kolmex:**

The switch to hard currencies in 1991 caused a drastic decline in all Polish exports to the former USSR. This also markedly affected Kolmex, an enterprise which traditionally sells rolling stock and other railroad equipment on the market of the former USSR.

It is worth noting that last year Kolmex concluded only one significant barter deal for exports of cisterns to the former USSR—one of the few deals that could be concluded by Polish enterprises.

The main obstacle to continuing trade with the CIS, including Russia, is, obviously, the lack of payment possibilities, a situation which apparently will not change soon. A major factor also will be the political situation in the territory of the former USSR. Destabilization and social shocks cannot be disregarded.

At present, especially this year, an expansion of barter deals is desirable, although predictions of major changes in tax policy as regards exports of raw materials may prove not conducive to such an expansion.

Generally speaking, however, the problem of expanding trade with Russia should be viewed with moderate optimism. After all, that country has a huge economic potential and is richly endowed with natural resources. Now that it is freed of its hopeless burden of arms production, and of the burden of colossal expenditures on financing the growth of many Third World countries,

Russia will, with the aid of Western credit, of a certainty become a valued partner of Poland.

It also is worth nothing that Poland's main asset is its direct proximity to Ukraine, Byelarus, and Lithuania, and its position as a transit country between Russia and the countries of Western Europe. We should exploit this asset.

**Stanislaw Krzymowski, Deputy Director of the Computer Technology and Miscellaneous Merchandise Office, Metronex:**

The experiences of 1991 and the situation in 1992 demonstrate that the economic organisms of both countries were unprepared for the abrupt transition to basing trade on hard currencies, and as a result the volume of trade shrank drastically. This also applies to our enterprise, although it still maintains technology ties with many factories in the former USSR by providing them with spare parts, and also although there is a strong demand for further shipments of our medical equipment. The widely known shortages of hard currencies among our Eastern partners are strangling trade. That is why we believe that a basic prerequisite for expanding trade is broadening the extent of barter deals.

The volume of barter trade so far has been rather limited, owing to the many restrictions imposed by our Eastern partners. It appears expedient to take steps at the governmental level so that our partner may relax the requirements and broaden the scope of the goods available for barter trade as well as to issue appropriate regulations.

The principal factor limiting trade expansion is the shortage of hard currencies on the part of our Eastern partners. Yet their market is capacious and the potential for shipping our goods there is considerable. Metronex has many traditional customers in the East who are accustomed to our products and concerned about continuing their shipments. But our Eastern partners are insolvent. On the other hand, exports for local currencies cannot develop owing to difficulties in getting suitable goods to import.

The relatively unattractive merchandise available from the partners, the instability of their laws, and the duties and taxes encumbering the exportation of more interesting merchandise are additional factors curtailing trade. Information on available merchandise is generally incomplete and relatively unspecific, which given the short periods of relevance, renders impossible the finalizing of transactions.

Our asset on the Russian market, compared with Western competitors, is an expanded trade and service network along with personal contacts at decisionmaking levels with users and producers, familiarity with local conditions, customs, mentality, and the Russian language, and also our having the merchandise that is adapted to the standards, requirements, and longtime habits of users.

**Dariusz Przywieczerski, Chairman of the Board, Universal, Inc.:**

The ending of trade in goods and services on the basis of trade protocols has resulted in a drastic decline in trade and acute perturbations in the Russian economy. The shortage of hard currencies experienced by our Russian partners, due to the uncompetitiveness of their goods on the world market, has reduced our contacts to barter deals. But these deals are still further curtailed by artificial barriers in the form of export duties, export licenses, etc.

The principal constraints on the Polish export expansion to the East are:

- The expensive credit in our country, which renders it impossible to offer on credit terms many goods which we could be selling in large quantities at prices competitive with those of the West.
- The lack of sufficient interest among our Russian partners in exporting their products, in view of the limitations on the hard currency earnings which they are allowed to retain for themselves.
- The customs barriers among the former republics and export duties.
- The continuing prohibition against "middlemen" in foreign trade, permanent reorganization, licensing of exports.

Our assets include: longtime broad contacts, familiarity with people, with their mentality, and with economic and political realities. In practice there is no language barrier. Not without importance also is the fact of the geographical position of Poland and Russia. Our country is at present to Russia the principal transit route for goods traveling to the West owing to the "loss" of seaports in Latvia, Lithuania, and Ukraine from Russian jurisdiction.

**Andrzej Zaborowski, Office Director, Bumar:**

The present situation in trade between the Bumar Foreign Trade Enterprise and the countries of the former USSR, including Russia, is characterized by a marked decline in trade.

The principal factors limiting trade between our enterprise and the Russian market, as well as the institutional conditions of that trade, do not differ in principle from the generally known conditions proper for a majority of Polish exporters of products of the electrical machinery industry. These conditions primarily include the marked decline in demand for Polish construction machinery on the Russian market, due to the halting of investment projects, the chronic shortages of funds for payments due to the switch to hard currencies as medium of payment, and the narrowing of the scope of coproduction ties established in previous years through the mediation of our enterprise, due to the intensification of recession processes in Russian industry.

In the existing situation, our enterprise is exploring ways of breaking the impasse by changing the structure of goods traded (through an increase in the proportion of products other than construction and road machinery) and increasing the share of imports in overall trade. We also count on barter and compensation deals. However, the expansion of barter and compensation trade is meeting with many obstacles, which include the fact that the Ministry of Foreign Economic Relations allows the importation of certain goods from Russia only by selected foreign trade enterprises, e.g., by Ciech for crude petroleum, by Wegloks for natural gas, etc. Other obstacles include the restrictions on granting export licenses for many goods and the technologically and pricewise uncompetitive nature of many goods permitted for exportation from Russia.

We perceive certain assets in our activity on the Russian market to exist in the form of our longtime presence on that market (on which we have tens of thousands of machines in operation that require spare parts and servicing), a ramified trade and service network, and a price level that is competitive with Western exporters.

**Ryszard Ferworn, Board Chairman and Director General, Centromor:**

The trade activities of Centromor, a traditional exporter of ships and marine equipment to the markets of our Eastern neighbors, are, given the existing domestic and, especially, foreign conditions, encountering major barriers preventing effective action in both exporting and importing.

Trade with Russia is encountering major complications which often prevent finalizing the transactions. It has to be stated that, irrespective of the interest generally expressed by the partners from Russia in continuing and developing cooperation, the specific trade negotiations underway point to a lack of possibilities for reaching effective and credible trade agreements. This is due to the many existing obstacles to economic cooperation, such as burdensome legal restrictions on foreign trade, the limited financial solvency of the partners, the relatively inefficient banking system, and the absence of clear legislation and implementing regulations suited to the practical rules of international trade.

Given the limited financial credibility of the Russian partners and the lack of the needed loan guarantees, Centromor and Polish shipyards cannot conclude deals on credit terms. Moreover, they cannot engage in barter transactions owing to the considerable value of the ships and marine equipment we have for sale and the inability of partners to offer adequately large quantities of other goods in return. In our opinion, barter deals concerning especially such goods as investment goods on the one hand, and crude petroleum, natural gas, and other raw materials on the other, require special bilateral governmental agreements for the clearing of such deals between exporters and importers.

Despite the above situation, Centromor is not abandoning its activities on the large and potentially capacious markets of Russia and other littoral countries of the former USSR.

Tactically, Centromor has curtailed its contacts with the partners representing governments and other administrative-central organizations, and, exploiting its considerable familiarity with the markets of the Eastern neighbors, it has initiated contacts with direct potential customers, i.e., with shipowners, shipyards, and manufacturing plants.

Preliminary talks underway with the new partners confirmed the interest of shipowners and shipyards in maintaining traditional cooperation with Centromor and the plants of the Polish shipbuilding industry.

**Regional Groups Join Forces on Reorganization**

92EP0501A Warsaw GLOB 24 in Polish 27 May 92 p 2

[Article by Andrzej Szymkiewicz: "The Regional Lobby"]

[Text] Five regional organizations—the Lower Silesia Union, the Wielkopolska Inhabitants Union, the Podhale Inhabitants Association, the Upper Silesia Association, and the Kashubian-Pomeranian Association—have established an alliance to work out a coherent reform of the state system. Having opted in favor of a three tier self-government—gmina [parish], powiat [district], and region (there would be about 16 of them)—they have begun drafting legislative acts, which are supposed to be submitted by the regional representatives. One of the initiators of that move, the Podhale representative Andrzej Gasienica Makowski, claims that the alliance does not intend to be either a political party or political power.

Hence, we are witnessing the process of the regional lobby formation. This is due to the fact that the local communities do not fancy very much a landscape with parties struggling for power "at the top." They themselves have too many problems to solve, and so far there is little chance of accomplishing that.

Upon the initiative of the Podhale Inhabitants Association, which operates in the Tatra and Beskidy Mountains region, the Highlands Association will be established soon. It will comprise almost 70 regional organizations which are active throughout the mountains area. Its main task will be to make the parliament pass a highlands law, "without which it is impossible to arrive at general solutions," says Franciszek Bachleda Ksiedzulorz, the chairman of the Podhale Inhabitants Association.

Regional Poland, although self-governing, faces many problems. Numerous slogans from newspaper front pages have not yet materialized here. At the same time, each of the three basic problems which the Podhale Inhabitants Associations is tackling—agriculture and the property matters, protection of the environment, and



tourism—is composed of many detailed cases which take years to close. To be sure, one can fix them by an assertive bargaining, and right now it is the only way to solve those problems.

Thus, a dispute between a few village communities regarding the return of some mountain pastures is finally coming to an end after almost 30 years. However, the so-called case of the TPN [Tatra National Park] northern boundary still cannot find its conclusion.

"The status of the Tatra National Park has to respect private property," concludes Andrzej Gasienica Makowski, suggesting that what is at stake is not someone's good will but legal principles.

The activists of the Podhale Inhabitants Association point out that property issues are not limited only to the Tatra Mountains area.

The fate of the mountain life-rescue organization is not certain. On the other hand, fortunately, sheep farming has received the support of the lamb exporters who will buy about 90,000 of them. The short-term goal is to use the profit, derived from the difference of prices charged by various exporters, to create so-called purchasing quota so as to encourage the farmers. "It would be the best if the gminas themselves exported the sheep," say the activists of the Podhale Inhabitants Association. Pastures are crucial for sheep farming, but this is yet another unregulated matter. To be sure, the number of sheep allowed to graze in the Tatra Mountains was increased to 1,500, but this does not solve anything.

The Podhale Inhabitants Associations has favored the completion of the dam on the Dunajec river in Czorsztyn because, as Jan Kudasik says, "What was started should be finished." However, it has set two conditions. First, the ministry ought to set aside 25 percent of expenditure to build a sewage treatment plant in the Dunajec delta (representative Makowski says that it was possible to secure 60 billion zlotys out of 350 billion for this purpose). Second, the Podhale region should be supplied with energy from the hydroelectric plant which is being built here at the cost of production.

As for environmental protection questions, these are separate matters. Within reach are the means for other purposes—the geothermal waters, water intakes, and waste management. However, in order to secure them, it is necessary to either obtain the government guarantees or undertake many other complicated efforts.

Regional activists are often accused of having been unable to see beyond their narrow, private interests and to notice matters important for the whole state.

"Regionalism," explains Franciszek Bachleda, "is a sum of material and spiritual values. It is a power capable of uniting the whole nation."

#### **Powiat Returns in Administrative Reorganization** *92EP0499A Poznan WPROST in Polish 10 May 92* *pp 19-20*

[Article by Blazej Toranski: "Correcting Gierek"]

[Text] The reform of the central administration is planned to take place by the end of this year. Powiats [districts] and the new, larger voivodships will appear in 1994 at the earliest.

There was only one instance in the history of Europe when an administration undertook reform by itself—in Prussia in the beginning of the 19th century. Senator Jerzy Stepien, chairman of the government commission on the reorganization of the public administration, thinks that it may happen again. This time in Poland.

According to Edward Gierek, the 1975 administration reform was caused by the need to "flatten the pyramid of power and make its peak closer to the citizens." The former first secretary of the PZPR [Polish United Workers Party, the communist party that disbanded in January 1990] told Janusz Rolicki in *The Interrupted Decade*, "We wanted to break up many entrenched coteries. It [the reform] was also supposed to bring about a certain 'airing' of the party and state apparatuses, unchanged in their powiat headquarters for years. Another important reason for that administrative reform was the desire to create vigorous urban centers in those regions lacking them."

Gierek did not mention the most important thing—the ideological foundations of that decision, made arbitrarily after some initial consultations.

"We learned about the reform from newspapers," confirms docent Piotr Eberhardt from the Institute of Geography and Land Use Management of PAN [Polish Academy of Science] in Warsaw.

Although the surprise was total, one could decipher the motives of that decision: The leadership felt threatened by the growing power of the PZPR voivodship first secretaries.

The move that created 49 voivodships, and thus 49 party voivodship committees, weakened the provinces. From now on, it was easier to make personnel appointments and play the parochial lobbies one against the other. Besides, the reform strengthened the position of ministers.

According to docent Jan Szczepkowski from the Institute of Geography of Torun University, there were other motives as well. The powiats were abolished not only because they constituted "a storage" for the party secretaries who fell out of favor, but also "an impregnable layer" for both the directives coming from the top and complaints coming from below.

Geographers and urban planners have put forward their argument as well—an administrative promotion in a

totalitarian system amounted to a method of stimulating the activity of small urban centers, such as Sieradz or Ostroleka. "It facilitated the concentration of decision-making, including in the area of the investment process, and subsequently the increase of socioeconomic activity," says docent Szczepkowski.

Indeed, a few small towns which obtained the voivodship status (such as Sieradz or Ciechanow) gained a lot as a result of that reform. However, the new administrative division often delineated unnatural borders between voivodships, having cut the historical or economic ties between them.

Soon after the liberals came to power, they began promoting the idea of dividing the country into autonomous regions, each with its own legislative and executive power. One of the most ardent proponents of this concept has been Dr. Lech Mazewski, the leading politician of the Liberal Democratic Congress and former adviser to prime minister Bielecki on the issue of regionalization.

Mazewski's draft conjectured Poland's division into eight to twelve "regions" or "provinces," which soon were christened "pollands." Sizewise and population-wise, they would be similar not only to Bavaria and Saxony but also to Latvia, Lithuania, and Hungary.

Lech Mazewski's concept has envisioned that each region would have a two-chamber parliament and a "local prime minister," designated by a political party victorious in local elections. The central administration would be represented by a "local president" in the rank of the minister of the Polish Republic.

Power is always divided as a result of a political decision. Hence, the concept of "pollandization" was abandoned after the liberals' departure.

"And rightly so," comments docent Jan Szczepkowski. "The government of liberals was under the spell of the German system, having forgotten Polish peculiarities and history."

The critics would add yet another argument against that idea: Polish political thought has for centuries focused on the integration of the nation, not its division. In contrast, the liberals' concept contained a hidden agenda—a fundamental change of the state system whereby its homogeneous structure would be substituted by a federal one.

Jan Olszewski's government has continued the task of "correcting Gierek" but with completely different principles in mind. On January 15, the prime minister established the Commission on the Reorganization of the Public Administration, headed by Senator Jerzy Stepień.

When the daily *NOWY ŚWIAT* wrote that the reform of the country's administrative division would be implemented by the end of 1992, the provincial establishment became scared.

"We have more important problems than the country's division," claims Andrzej Ruskowski, the Sieradz voivode. "Sometimes, people want to throw us out of office because we are unable to deal with unemployment and guarantee satisfactory living conditions."

In turn, Stanisław Czuba, the Skierniewice voivode, emphasizes the tremendous costs of that operation: "The state cannot afford even to reevaluate salaries in the budget sphere."

Indeed, one could have many doubts about the reform. Professor Stanisław Liszewski, the Chairman of the Urban Geography Department at Lodz University, has formulated three basic questions. First: "What is the goal of the new administrative division and what will be accomplished by it, or in other words, why divide Poland?" Second: "What is the cost of implementation of the proposed plan, or how much will society have to pay for it?" Third: "To what extent will the local and regional communities accept the suggested division?"

"We propose a reversed philosophy: first we want to define the functions and goals, and only then deal with maps and dividing up the country administratively," says Senator Jerzy Stepień. "When we decide where to go and for what purpose, then we'll choose the means of transportation."

In the beginning, the government commission intends to answer the following questions: What is to be decentralized and what is to be deconcentrated? What should the central authorities give back to the provincial ones? Which prerogatives should be given back to self-governments and which should be just pushed down the vertical line of the state administration?

Since the political goal in 1975 was the centralization of power, the inherited administrative division is outdated, according to Senator Stepień.

"We want to decentralize the state. We have to undertake this reform because each day of the existence of those irrational structures multiplies losses. After all, we should always be interested in the balance sheet."

"To implement the reform in a hurry, in a breakneck pace, could lead to a disaster," warns docent Piotr Eberhardt of PAN. Docent Szczepkowski has a similar opinion. Although he foresees that the recreation of powiats will be costly, he wholeheartedly supports their return: "They would be a junction of the state administration and self-government, as well as a place where jurisdictions would intersect."

The majority of opinion in Senator Stepień's commission is in favor of restoring powiats. The opinions differ with regard to the question whether the powiats are supposed to substitute the so-called regions [rejony]. There is considerably more difference of opinion on other issues as well. According to the timetable, the commission is supposed to work out the concept of the executive power reform in the first half of this year. The

reform of the central administration is planned to take place by the end of this year. Powiats and the new, larger voivodships will appear in 1994 at the earliest.

Poland has received 4 million ECU's [European Currency Units] from the EC (1 ECU= \$1.30) to support the reform, and there are chances to multiply this amount.

On the other hand, the costs of the commission's work have amounted to about 100 million zlotys since last June. To compare, the senator claims that, according to the estimates of one of his commissions' members, the money spent on the administrative reform in 1975 would have been enough to straighten up the water system in the whole of Poland.

### Iliescu Discusses Domestic, Other Issues

AU2606085792 Bucharest DIMINEATA (supplement)  
in Romanian No 33, 13-14 Jun 92 pp 1, 4

[Interview with Romanian President Ion Iliescu on "TV ECO"; place and date not given]

[Text] [TV ECO] Mr. President, it has been a year and a few days since you received me on the first anniversary of the formation of the new Romanian Government. Almost two years have passed since your government was formed after free elections. We would like you to explain the country's economic situation and the policy promoted by the government over the past year.

[Iliescu] Profound changes have taken place in the past two years. The image of Romanian society has radically changed and maybe the most spectacular changes are taking place in the political arena. As a matter of fact, these past two years represent a cycle, a first cycle of changes that mark the foundation of the democratic state of law, something that also coincides with the mandate of the parliament that was elected two years ago, namely, the two chambers of parliament. It also coincides with the mission of the Constituent Assembly, whose main mission is to publish the country's new constitution, something that has already taken place. The parliament worked hard to formulate the new constitution, which went through rounds of talks within the commissions and then in parliamentary plenary sessions. The parliament adopted the text of the constitution as such, and then last December year submitted it to a national referendum. Thus, the new parliament fulfilled its main mission. On the basis of this constitution, the laws on the organization of local administration and local executive bodies were issued, and local elections were held in February this year. At this point, we are in the stage of concluding this first cycle with general, parliamentary, and presidential elections. Actually, these elections should already have taken place. However, political developments, splits, and trouble within some of the parties influenced parliamentary activity and thus prolonged the discussion of the laws on parliamentary and presidential elections. Nevertheless, I believe things will clear up this week. The parliament has to reach a conclusion so that, on the basis of these laws, it may establish the election date so as to close this cycle of changes (regarding the political arena) and permit our people to elect the new institutions for a four-year term.

At the same time, serious changes have occurred in the economic and social areas, in the general atmosphere of human relations, and in people's freedoms and rights, which have expanded tremendously. All restrictions have been eliminated. But the most complex and complicated transformations have taken place in the economic area. They are also the main source of the current difficulties in Romanian society, and they will remain with us for a long time, because, as other countries' experiences prove, the transition from a centralized to a market economy is a very complicated and painful

process with great effects and social costs. This is why we are very eager to rapidly elect the new parliament, to set up a new government with a clear mandate and political support from the parliament, resulting from the future elections, in order to be able to approach these very complicated problems in our economy.

[TV ECO] This year will be a year of elections throughout the world. There are numerous political groups and parties in Romania. Are you going to run in the coming elections?

[Iliescu] I have not yet decided. I want to wait until the conclusion of the discussions on the legal framework.

[TV ECO] In case you run for the Presidency, will you do so as an independent?

[Iliescu] This depends on the development of political relationships.

[TV ECO] An ecological congress will be held this year in Rio de Janeiro. I understand that you are going to participate in it. What can you say about this congress?

[Iliescu] It may be the most important international meeting at the end of this century. I understand that more than 100 chiefs of states and governments of the world are going to participate in it. The meeting will discuss a major subject, a global problem of our civilization at the end of this century. I am talking about the major confrontation between social development and the balance of elements in nature. Human civilization at the end of this century is going through a very dynamic development process. However, this also generates tremendous confrontations, social confrontations on the one hand: First, there will be the confrontations between rich and poor people, rich and poor countries, between the North and the South, and, on the other hand, there will be the conflict between two systems, the natural and the social systems. Society, which actually is a subsystem of the natural system, has started a conflict with the human system and nature, the conflict between man and nature, that is between society and nature has taken on dramatic dimensions at the end of this century. This is the important subject of that conference.

[TV ECO] Does Romania have any proposals to make in this respect?

[Iliescu] It is a major issue. The solution and approach to the problems regarding the balance of environmental factors requires that social conflicts be solved and equitable relations between rich and poor people be achieved. As a matter of fact, 20 percent of the population on Earth consume 80 percent of the energy produced on Earth and of the material resources on our planet. And this minority of rich countries is the greatest source that pollutes the environment, including the air and climate. Consequently, the rich have to make the greatest effort to ensure the discussion, on a rational basis, of the environment balance and of supporting



poor countries, which, in turn, influence the environment because of their very high birth rates. Thus they are faced with poor food sources and are unable to ensure sufficient food for people living in such areas. These problems cannot be solved without cooperation throughout the world at the level of the world economy and without concerted efforts and support on behalf of those who have accumulated riches.

[TV ECO] Along the same train of thought, while discussing the world, what are Romania's current relations with the European Economic Community?

[Iliescu] Negotiations are under way at this time in connection with Romania's association with the Common Market. Currently we have an accord with the Common Market on the basis of which our trade relations are taking place. The new climate that has been created in Europe generally enables us to broach these problems of the future from a more realistic angle. Europe's division according to ideological and political-military criteria has ended, as has the political-ideological "Iron Curtain." At this time, however, there is another, and it seems more tight, curtain, namely the economic one, and thus the negotiations on our association show the difficulty of overcoming this barrier that has appeared at the continental level.

[TV ECO] Does this apply to the Balkan countries as well?

[Iliescu] The problems here are a little different. We are neighboring countries with similar problems and a similar standard of development. We have a common history and common interests in achieving direct cooperation. However, political transformations and especially conflicts, including military ones, like the one that has emerged in Yugoslavia with the breaking apart of the Yugoslav state, have complicated problems and led to tension. We are trying to act as a balance in that area. Romania maintains positive relations with all of the Balkan countries, and it is trying to use these relations to create a favorable framework for achieving an atmosphere of understanding, good neighborliness, and cooperation with all the Balkan states.

[TV ECO] What is happening with Moldova and Ukraine? What is Romania's position on these problems, particularly in the Dniester region? Didn't you visit Chisinau a few days ago?

[Iliescu] It is in our interest to maintain positive relations with all of our neighbors. We try to promote such good neighborly relations with all our neighbors, and especially with our greatest neighbors. At this point, it is not Russia that is our direct neighbor, but Ukraine. On the other hand, the independent state of Moldova, the Republic of Moldova, has emerged, as a result of the breakup of the Soviet empire. It is an historic accident, but it is an objective reality. It is an independent and sovereign state that has been recognized by all the states that have separated from the former Soviet Union, and it is a member of the United Nations and has thus been

recognized by more than 100 states in the world. However, what is happening today in Moldova, on the left bank of the Dniester River, is an act of aggression on the part of Russia, which has recognized the existence of this independent state and which now is attacking the territorial integrity of this newly independent state. The so-called Dniester area—a strip of land on the left bank of the Dniester River—is a relatively limited area inhabited by 600,000 people, of which 40 percent are Romanians, only 23 percent are Russians, some 28 percent are Ukrainians, and the rest belong to a few other minorities. The Republic of Moldova numbers more than 4 million people, of which 65 percent are Romanians and the rest are various minorities: Russians, Ukrainians, Bulgarians, Gagauz, and so forth. Thus, still linked to the former regime and former communists structures, a group of people in this area on the left bank of the Dniester has proclaimed the separation of this region in which the Russians constitute the minority that is not even a quarter of the population. They want to dictate the separation of this area from the rest of Moldova and present this right as the affirmation of self-determination by the respective population within which the Russians form a minority.

And they are supported by the Russian proimperial nationalist forces in Moscow. A Russian army, the 14th Army, which is deployed on this territory, has violated the status of a foreign army on the territory of an independent state through military actions in support of these separatist groups. I think this is a flagrant violation of the UN Charter and of the elementary rules of international law. We have tried to support the efforts made by the Republic of Moldova to solve this conflict. We have supported the meetings by the foreign ministers of the four states involved—Russia, Ukraine, Moldova, and Romania—and recently in Lisbon a joint commission was set up to seek a political solution to the conflict. Unfortunately, however, the intervention of the 14th Army units complicates the situation and preserves the conflict at this time. We hope that in the end reason will prevail, because otherwise we will face mentalities similar to what imperial mentalities have always been. The same mentality as that of the English and French after World War II: They did not want to give up their colonial empires. During my youth I met Frenchmen who spoke about departments across the seas when speaking about Algeria, Tunisia, Morocco, and other former French colonies. They were unable to understand the idea of national independence and those peoples' struggle for self-determination. Today the Russians have a similar mentality. They cannot renounce the idea of preserving the former empire. This is the nature and source of the conflict in the Dniester region.

[TV ECO] Is there a small Romanian territory even in Ukraine?

[Iliescu] Well, this is a vestige, a result of the Ribbentrop-Molotov Accords before the war and of the situation established in the wake of World War II when Romanian territory was occupied by force. Part of it was the

Republic of Moldova, a component republic of the USSR, while another part was included in Ukraine. From an historic and legal viewpoint, things are very clear. This is a reality we cannot ignore. We are bound by international accords—Helsinki, the Paris Charter—as far as existing borders on the European Continent are concerned. Consequently, by evoking these events, we try to broach these issues with realism. We want to establish good neighborly relations with Ukraine and the problem of these territories will be solved by history.

[TV ECO] Are the relations with Ukraine quite positive ones?

[Iliescu] We hope to improve them. It is in our mutual interest to develop good neighborly relations and cooperation.

[TV ECO] Mr. Iliescu, what do you think of Romania's prospects next year?

[Iliescu] I hope that after the elections we will be able, at the political level, to create a civilized framework for political activity. As I have already said, the major problems we are facing are restructuring the national economy, promoting economic reform and the market economy. And as I said, these processes will be complicated, not only next year but also in the coming four years. Thus, the next parliament that will be elected and government or governments that will succeed each other will have to deal with this very complicated problem of redressing the national economy. Yesterday I was reading a study on the situation in the former GDR, which is a completely special case. We are talking of a country with a remarkable economic potential. It was the 10th industrial country in the world that was integrated into a powerful economic system, Germany being one of the big economic powers in today's world which is injecting huge sums of money into the GDR economy. According to this study, some DM150 billion in nonrepayable aid has been transferred from the West to the East. Despite all this, the situation remains very difficult. One-third of the labor force of the former GDR is unemployed. Numerous enterprises have been closed down and, as this study put it, a disindustrialization of the GDR is taking place, turning it into a poorly developed area of the German economy. Thus, this was a country which, from the viewpoint of its economic potential, ranked above Romania and other countries in East Europe. These changes are very complicated and these market relations have proved to be very difficult. If we follow the development of the world economy, we note that the market economy generates great contradictions at the national and international level: It promotes the polarization of riches and poverty and even deepens the discrepancy between rich and poor people. From this point of view, all East European countries are confronted with similar phenomena in this process of changing the economy and the transition to a market economy. They also run the risk of being pushed to the periphery of present-day economic and technological development. Thus, seen from this angle, we have to work out a

coherent strategy at the national level to make up for domestic processes, on the one hand, and to promote the dynamic factors of modern economic and technological development, so as to ensure what the majority of the population is interested in, namely social protection factors for the broad masses, for the producers of commodities, and, on the other hand, to ensure the protection of national interests within the context of world economic development. These three requirements are national commands of the first order. However, achieving them is not at all easy.

[TV ECO] Wouldn't you run the risk of being described as a state promoting protectionist measures in the economy?

[Iliescu] No one can do without protectionist measures when it comes to protecting national interests, and the first ones to promote protectionist measures are the rich states of the world. The European Common Market is nothing else but a club of rich people who have taken exceptional protection measures. What do the negotiations for the association of other states mean? They mean nothing else but protectionist measures that these countries are promoting to protect their own markets. What are the disputes between the United States and Japan all about? They are about protectionist measures and conditions for the sale of American products in the Japanese market and vice versa. Thus, the first ones to promote protectionist measures are the rich of this world, not the poor.

[TV ECO] Are foreign investments welcome in Romania?

[Iliescu] I believe that from a legal point of view Romanian legislation offers favorable conditions for foreign investments and capital. The most complicated problems are linked to our economic transformation process, the state of this transition, and to the uncertainty that generates reservations on behalf of foreign capital investors. The moment we normalize our economic activity and economic and political relations, then I think this situation will improve.

[TV ECO] I suppose you know that our television carried a program on the 500th anniversary of the discovery of Latin America entitled "Today in America." Do you wish to convey a message to those countries?

[Iliescu] Yes. This event, the 500th anniversary of the discovery of America, has become a world event. It is being celebrated throughout the world. We ourselves are actively participating in the exhibition in Seville devoted to it. Romania and Romanians harbor special feelings toward the Latin world and generally toward Latin America, and thus toward the Spanish language. This is the right time to express this certitude and this political desire to see our relations based on esteem, mutual interest, friendliness, and solidarity develop. These are feelings that have always inspired our relations with the Latin world. We are countries with numerous similar problems, especially in our economic development, and

when it comes to the global problems faced by the present-day civilization. Our history has numerous similarities. All our peoples have had a troubled history full of unrest and struggle for defending their national existence, for their national assertion, self-determination, independence, and freedom. These are common traits in the history of our peoples, which have brought us closer and which constitute the foundation of the friendship and solidarity between our peoples. I wish to convey these feelings to all of your listeners in Latin America.

[TV ECO] Thank you, Mr. Iliescu. Do you have anything else to add for the "TV ECO" audience?

[Iliescu] I would like the year 1992, which, as you said, is marked by numerous political events and is an election year throughout the world, to be a turning point for the better for all of us. And this is what I also wish your audience.

#### **PNT-cd Leader Favors Constitutional Monarchy**

AU3006093492 Bucharest *CURIERUL NATIONAL*  
in Romanian 23 Jun 92 pp 1, 4

[Interview with Corneliu Coposu, president of the National Peasant Christian Democratic Party, by Paul Dobrescu; place and date not given: "Principles Cannot Be Negotiated"]

[Text] [Dobrescu] Mr. Coposu, you are the president of the Steering Collegium of the Democratic Convention. Do you not believe that this electoral alliance is quite late in nominating its sole candidate to the office of the president?

[Coposu] On 27 June the Convention must elect its candidate. After maybe several ballots, we will also find out who is the opposition's candidate.

[Dobrescu] So far the candidates of the formations that make up the convention are: Messrs. Nicolae Manolescu, Emil Constantinescu, Ion Ratiu, Nicu Stancescu, and Sergiu Cunesco. Who will be the candidate of the National Peasant Christian Democratic Party [PNT-cd]?

[Coposu] At the moment we have two candidates for our party, namely Mr. Ratiu and Mr. Ioan Lup. Until 25 June, the last day for registration, maybe other names will appear, too. From that list we will elect one candidate whom we are going to propose to the Convention.

[Dobrescu] As a politician with a certain amount of experience, do you believe in the chances of the Democratic Convention's candidates who have been registered so far?

[Coposu] I can only say that a candidate of the Democratic Convention will have the chance to win the electorate. In my opinion there will be voting and none of the presidential candidates will win by himself.

[Dobrescu] Still, whom would you grant a greater chance?

[Coposu] To Mr. Stolojan. I detest his economic program, and he knows it; however, I appreciate him as a person and I appreciate his honesty.

[Dobrescu] Who is going to propose him?

[Coposu] Maybe Roman.

[Dobrescu] By the way, it is said that there is a certain companionship between the two of you.

[Coposu] Mr. Roman stopped the direct attacks against our party, but we have not held any direct talks. We have already announced that as a result of the dismantlement of the Front, if one of the successor formations gets rid of the FSN [National Salvation Front] habit of attacking us, then we might collaborate. The way the FSN looks today any cooperation with it is excluded.

[Dobrescu] It is also said that relations between you and Mr. Manolescu are tense. Is it true?

[Coposu] None of it is true. I value him and we cooperate well within the Convention. Due to the position I was given within the Steering Collegium of that alliance, I must maintain an equidistant position with all leaders of the Democratic Convention.

[Dobrescu] If you had to choose between Mr. Roman and Mr. Iliescu, as simple citizens, whom would you choose?

[Coposu] Neither of them. At one point it was said that we must be with Roman against Iliescu. We want to sweep both of them away.

[Dobrescu] What are your relations with Mr. Campeanu?

[Coposu] We are friends. However, this does not stop me from pointing out his mistakes, especially the one concerning the withdrawal from the convention.

[Dobrescu] Some time ago the National Liberal Party [PNL] won about 12 percent as far as the electorate's preference is concerned. Why could we not accept the idea that this party wanted to test its possibilities as a party on an occasion that comes up only once every four years?

[Coposu] Now there is no time for tests. Now we should eliminate the neocommunist structures and establish a state of law and a normal framework for a normal life. If we do not succeed in establishing this framework, then we can throw all the doctrines in the trash can. At the moment, we are threatened by the danger of sliding to the left, toward a left-oriented totalitarianism, as well as by the danger of the army's ascension to the leadership of the country. Therefore, the consolidation of the democratic forces represents a topical objective. Therefore we have no time for tests. Only after establishing this democratic framework can the alternatives, specific to each party in accordance with the respective party's own political concepts, be considered.

[Dobrescu] What do you think is behind the mistake, as you call it, of the National Liberal Party?

[Coposu] I cannot tell you what I suspect. If the motive is that this party wants to check its potential, then it might be acceptable. However, most probably there are other considerations as well. The argument with the separation from the Hungarians is also just a pretext because we know very well that they were in complete understanding on 20 May. As a matter of fact, the major reason is the presence in the Convention of the Civic Alliance Party and its leader.

[Dobrescu] Could you estimate the results of the parliamentary elections?

[Coposu] I believe that the Convention will obtain about 35 percent and will come before the other formations, however, without being able to obtain an absolute majority. The two fronts will obtain between 12 and 18 percent each, and the Democratic National Salvation Front will have the bigger chance. Unfortunately, through the PNL's withdrawal from the convention, this party has lost a lot and will be placed much below its leaders' expectations. The ascension of extremists will be greatly diminished. The people's intuition will play a great role in these elections, because people in the rural areas still cannot understand everything that is happening in the country.

[Dobrescu] If you were to ask the PNT-cd president a question, what would you ask him?

[Coposu] Why don't you run for the presidency? I believe that one of the fundamental requirements of an honest policy is to respect principles. Principles cannot be negotiated. The concepts of those who define political activity as a chain of compromises—one could come up with certain examples—lead nowhere. The ethical element should also prevail in political life. To respect principles is a sine qua non condition of someone who wants to be a political figure and not a politician. I believe that the entire legislation, abuses, and all the dictatorial measures taken in the 40 years of communism, which were achieved through blackmail and military pressure, should be abrogated, starting with the abdication of the king. That abdication has never been ratified by our people. The concept of our party is that the constitutional monarchy should be reinstated, as the only way to boost the democratic structures of a state of law. By not recognizing the FSN constitution I do not recognize the legitimacy of the presidential institution either. I cannot run for a position that I do not view as legitimate. To run for the seat that replaced the royal throne would show a lack of respect for King Mihai.

**Colombian Drug-Trafficking Network in Cluj**  
AU2906173492 Bucharest ROMPRES in English  
1532 GMT 29 Jun 92

[Text] Bucharest, ROMPRES, 29/6/1992—The drug, weapon and explosive fighting brigade under the Police

General Inspectorate in cooperation with Wiesbaden Interpol colleagues found out 12,500 kgs of cocaine in the city of Cluj-Napoca. The source is a Colombian drug-trafficking network, shows the daily ADEVARUL. "White death" came hidden among the covers of hundreds of Bibles, books of children and medical treatises. Practically speaking, the Colombians would place the drug stratum on the inside cover after which they wrapped it in colored celluloid. Only by pricking the protective celluloid could some grams of cocaine be collected.

Some parcels received from Colombia also had other items and several film rolls that were in a special, very thin wrap, in between hiding the cocaine. The traffickers are Juan Carlos Roa Medina, 25, from Colombia, Varti Ludovico, 27 from Italy, and Denisa Lazar from Romania. They were sentenced to six, five and two-and-a half years imprisonment, respectively.

Worth mentioning is that, beside the large drug quantity discovered, the concomitant arrest of the three brought about the elimination of a highly dangerous network which could have extended and was linked to the Italian Mafia, specified the head of the drug, weapon and explosive fighting department, Jenica Dragan.

#### **Diplomatic Personnel Changes Announced** 92P20239A

[Editorial Report] Bucharest MONITORUL OFICIAL in Romanian on 21 May on page 2 reports that Sorin Mircea Botez has been accredited as Romanian ambassador to the Republic of South Africa, effective 21 April. On 27 May, the same source reports on page 1 that Eugen Ionescu has been recalled from his post as Romanian ambassador to Colombia and on page 2 that Anton Donciu has been recalled from his position as Romanian ambassador to Uruguay, both effective 15 May. According to MONITORUL OFICIAL on 4 May on page 2, Romul Patru Bena has been appointed Romanian consul general in Montreal, Canada, effective 10 April. On 5 June, the same source reports on page 1 that Ilie Spataru has been appointed consul general, head of the Romanian Consulate General in Milan, Italy, effective 21 May.

#### **Agriculture Plagued by Lack of Diesel Oil** 92P20330A Bucharest DIMINEATA in Romanian 17 Jun 92 p 1

[Article by Alexandru Brad: "The Voice of the Wheat"]

[Excerpts] In none of the past 70 years did the country have so little grain sown, and never, not even in time of war, did so many fields remain unplowed. But, we experienced this in 1991, and if we learn something from such a dishonorable situation then that will be a positive element. [passage omitted]



I am recalling this completely "unprecedented" situation in Romanian agriculture because the abnormal situation that dominated Romanian agriculture last summer is, in certain respects, almost the same this year. (And, if I were to make my judgement on the basis of the situation in animal husbandry, I could say that things are even worse). [passage omitted]

Everyone from the minister of agriculture down to those who will be harvesting with scythes (and this summer we will be seeing more of such scenes from medieval history), that is, the whole soul of the villages, seems to be ready to listen to the voice of the wheat. It is a state of mind that I noted recently in many localities in the Ialomita Baragan, in the granaries of the country, in the places in which our hopes are always alive that we will have Romanian bread on the table. Machine operators and engineers, the principal "architects of the wheat," are ready to go into the fields, first of all, into the barley fields. As was emphasized at the meeting of the management council of the Ministry of Agriculture and Food, the machines of the specialized units can harvest about 500,000 hectares of barley in four to five good days of work and can harvest about 1.5 million hectares of wheat in 14 days, at the most. It is true that, compared to last year, the areas sown to stalky grains are much smaller

and that specialists are not in danger of being unemployed like last year, at the very time that they should have been concerned with harvest. It is also true that belts have been imported for the combines.

Nevertheless, there is something that still threatens the harvest. It is diesel oil, without which the whole organization of the harvesting campaign and of the harvest itself could be compromised once again. As of 15 June, only 50,000 metric tons—27 percent of the required 148,000 tons—of diesel oil had been delivered! More than one-half of this amount (which was intended for all consumers in agriculture and the food industry) has already been used. It is clear that without 5,000 tons of diesel oil a day, solely for agricultural tasks, which are mounting from day to day, the workers in the fields will be forgotten and will be powerless as the grain fields wave and the weeds burgeon, just like last year.

I cannot believe that the agrarian policy of Th. Stolojan is lying fallow at this very moment, even though the cutoff of funds is showing its teeth. Since he has not made any bets and the ministries and industries producing energy and fuels also need bread, we hope that agriculture will be supported now. Now, when it must be! In the final analysis, I wonder if anyone can resist the call, the voice of the wheat!

**Article 197 of Croatian Criminal Law Amended**  
*92BA1099A Split SLOBODNA DALMACIJA*  
*in Serbo-Croatian 7 Jun 92 p 4*

[Article by J. Smid: "New Articles on 'False Reports'"]

[Text] Zagreb—Before the end of the joint session of the Chamber of Opcinas and the Sociopolitical Chamber, which also meant the end of the two-day session of the Assembly of the Republic of Croatia, the proposed Law on the Foreign Exchange Inspectorate of Croatia was adopted by emergency procedure in the joint session. Establishment of that inspectorate as a new agency in the government administration will fill a gap in that area, especially in conducting misdemeanor proceedings. The inspectorate will operate within the Ministry of Finance.

Emergency procedure was also proposed for adoption of amendments and supplements to the Law on Organization of the Republic Administration, but the deputies decided not to suspend the rules. They felt, that is, that the proposed arrangements should be debated in detail.

The greatest attention and time, as might have been expected, was devoted to the proposed amendment of the Criminal Law. The proposal reached the deputies by emergency procedure, on the initiative of Vladimir Seks, public prosecutor, and by way of the Legislative and Legal Commission.

It was proposed, and in the end was indeed adopted, that Article 197 of the Criminal Law be amended to read as follows: "Whosoever presents, conveys, or spreads reports and assertions which he knows to be false and apt to disturb a sizable number of citizens, with intent to bring about that uneasiness, shall be subject to a fine or imprisonment not to exceed six months." That article's second paragraph was also dropped, because it was found that its content has already been incorporated in other provisions of the law. One innovation is that the first paragraph of Article 197 no longer requires that the spreading of false reports cause "a feeling of personal insecurity or threat in a sizable number of people or a considerable disturbance in commerce, the economy, or the ordinary life of the citizens." Instead, the prohibition refers to the spreading of false reports apt to "disturb a sizable number of citizens, with intent to bring about that uneasiness." Another innovation is that instead of imprisonment of no less than three months and no more than five years the law now calls for a fine or imprisonment not to exceed six months.

**"Rescuing Seks"**

In making the case for the proposed amendment, Vladimir Seks recalled that Article 81 of the Criminal Law requires public prosecutors to institute proceedings because of insults and slander of official bodies and officials, which means that the institution of criminal proceedings does not depend on their free will. So far such proceedings have been instituted on several occasions, and this has caused public controversies, but the

critics of these charges did not know that prosecutors were legally required to do this, Seks said. That is why the initiative was taken to reduce the number of persons subject to that automatic protection against insults and slander. In adopting the amendment to the law, the Assembly commissioned the government to prepare before the next session of the Assembly a proposal of that smaller group of persons and to propose a regulation whereby the public prosecutor could institute proceedings only at the request or with the approval of the persons who were the targets of the insult and slander.

Differing opinions were expounded in the debate that followed Vladimir Seks' explanation. Thus, Ivan Milas, saying that this is still a question of the verbal crime, proposed that the law not be amended by emergency procedure, but that in the meantime an examination be made of the provisions in other European countries. Dr. Nikola Viskovic said that emergency procedure had been requested because Mr. Seks, after the public agitation because of charges filed in several cases under Article 197, wanted to justify what he had done, which he did not have to do. Therefore, in the opinion of Dr. Viskovic, "the Assembly does not have to rescue Colleague Seks." Luka Bebic, who mentioned some of the cases in which criminal proceedings were instituted under Article 197, asked who gave newsmen the right to write in that insulting way? Invoking Article 197, Bebic feels, does not infringe the freedom of public speech, but is aimed at lies. Kazimir Sviben said that people went to prison even earlier, but not for lies and slander, but for the truth.

Jure Sonja suggested to Vladimir Seks that he nevertheless give some thought to some of the criticisms made by Dr. Viskovic and find better wording. Deputy Sonja added, however, that in the former regime newsmen wrote what they had to write, and now they write what they want, and they are not only making maximum use of that freedom, they have even introduced a special way of terrorizing people. Gordana Grbic proposed that Article 197 be deleted entirely from the Criminal Law, and if this is not done, then at least delete the word "apt." Mato Arlovic also proposed deleting the entire article, recalling that the Constitution guarantees freedom of expression of thought. Djuro Panjan said that this proposal to amend the law had been attacked unnecessarily by certain deputies in the Assembly, who perhaps did not know what a verbal crime is. It is a question of spreading false reports, and the public should be protected against that.

**A Majority of the Votes Decided**

After Vladimir Seks answered the objection made in the course of the debate to that point, Dr. N. Viskovic and Mato Arlovic moved that certain erroneous allegations in Seks' statement be corrected, and then Dr. Hrvoje Kacic said that the arguments of V. Seks and L. Bebic could be accepted because it is wartime, and definite protection is needed against the spreading of false

reports. Ivica Racan called for Article 197 to be deleted or that the newly offered wording be examined once again.

After these and similar objections, the proposed amendment to Article 197 of the law was adopted by a majority of the people's deputies, but a resolution was also adopted whereby the Assembly assigns the government the task of preparing the proposal of the smaller group of persons to whom the protection under Article 197 would apply.

The deputies then adopted a decision on election and dismissal of a sizable number of persons in courts and prosecutors' offices. They included Ivo Bakalic, Slavko Lozina, and Teo Karabotic-Milovac, Srdjan Simac, and Mladenko Zuzul elected new judges of the Opcina Court in Split, while Zvonko Cacic was dismissed as a judge of the District Court in Split. Dubravka Nikolic was dismissed as a judge of the Opcina Court in Metkovic, and Pasko Visic was dismissed as a judge of the Opcina Court in Sibenik. Jadranka Petrovic was reappointed deputy opcina public prosecutor in Split.

[Box, p 4]

#### Insults

Speaking about Article 197 of the Criminal Law and about preventing insults and slander, Vladimir Seks, republic public prosecutor, also gave some examples. Here, he particularly targeted Dr. Slaven Letica, professor, whom he said had held all the attractive positions

both in the former regime and the present one. He called him an "old degenerate," and at the same time mentioned "intellectual prostitution."

Public Prosecutor Seks probably does not feel that this comes under insults and slander.

[Box, p 4]

#### A Race

When the vote was to be taken to amend Article 197 of the Criminal Law, Dr. Nikola Viskovic noticed that there were not enough deputies in the Chamber or, as it is put, there was no quorum. Vice Vukojevic, who was chairing the session, replied to Viskovic that the rules of order should be followed, and that he could request a roll call with the signatures of 15 deputies. And then, without waiting, he put the amendment of the law to a vote.

Later, when Vice Vukojevic was presenting to the deputies the proposed decisions on elections and dismissals (23 decisions), Gordana Grbic began to gather signatures. There were so few people in the benches that Mrs. Grbic was even unable to perform the task she undertook. All the while, Vice Vukojevic was rapidly reading the proposed decisions, even getting tongue-tied, only in order to finish ahead of Gordana Grbic, which he managed to do: By the time the 15th signature had been gathered, Vukojevic had adjourned the session.

It was obvious that there was no quorum, but Mr. Vukojevic did not want to see that.

**Social Democratic Party of Macedonia Conference**  
**92BA6997A Skopje NOVA MAKEDONIJA**  
*in Macedonian 24 May 92 p 3*

[Article by A. Damovski: "Faction and Programmatic Innovations"]

[Text] *At the meeting, once again the old misunderstandings within the party were expressed, those that had started with the initiative of merging with the SDSM [Social Democratic Union of Macedonia]. Initiative of the democratic faction. Nikola Boshale elected new chairman of the Party Council.*

The first conference of the Social Democratic Party of Macedonia [SDPM] was held yesterday in Skopje. At the very start of the conference, the long misunderstandings within the party surfaced once again. They had started, as party chairman Tikhomir Jovanovski said in his introductory speech, with "a movement for coalition, cooperation, and eventual association." Even before the adoption of the agenda, Dragoljub Budimovski, one of the party founders, tried to point out some statutory inconsistencies concerning the very decision to hold this conference and to announce the establishment of a so-called SDPM democratic faction, which was deemed improper.

Several other delegates pointed out the alleged illegality that such a conference consider changes in the programmatic declaration of the party or amendments in the statute and question the legitimacy of the conference delegates. Delegate Zhivko Ilijevski described the statements made by the delegates who spoke before him as an effort to undermine and eliminate the party by those who would like to merge the SDPM with the SDSM. Also reacting to this was Kamuran Pakhir, another founder and member of the party's Central Council, who said that such procedural omissions and violation of the statute are highly threatening to the SDPM. Delegate Zoran Simovski, who described himself as the illegitimate temporary general secretary of the party, said that the meeting of the Central Council, which was held in Vevcani, where the question of convening the first SDSM conference was raised, was held without a quorum.

Naturally, following the answer to these remarks, made by party chairman Tikhomir Jovanovski, and after two hours of debates, the conference adopted the agenda and began its work. The guests who presented greetings to the conference included Bakhri Muftari, member of the Albanian Social Democratic Party, and Radomir Danic, member of the Belgrade Republican Club.

In discussing the party's previous work, the party chairman in his introductory speech said that the SDPM places humanism, social justice, human dignity, and the well-being of the people at the head of its political activities, and that this party is increasingly being considered and accepted by the citizens of Macedonia as being social, democratic, and a nonmilitant worker

party. Discussing the call for eventual unification between the SDPM and the SDSM, Tikhomir Jovanovski said that his party displayed a certain naivete in joining such movements. In his view, the individuals who supported it were literally aiming at degrading and disbanding the SDPM. Tikhomir Jovanovski, who guided the movement and party work, assessed the meeting held by the Central Council in Radovis and Skopje, at which significant decisions were made, as being clear in terms of "manifestation of the strong will and desire of the membership and the party leadership to be successful in the expansion of the basic and strategic directions and elements of the party's programmatic declaration."

Turning to the current political situation in the Republic, the SDPM chairman said that the situation in Macedonia did not come close to war or military involvement, above all as a result of the timely and wise policy of the Macedonian leadership and, especially, the president of the Republic. Nor should we forget the essentially correct behavior of the Army and the Serbian leadership and the support of Turkey, Bulgaria, and Albania, which could not be said of Greece, which, without any right or conscience, is rejecting anything Macedonian, Jovanovski said. That is precisely why the SDPM supports Kiro Gligorov's foreign policy, which is a policy of peace, tolerance, patience, doing no harm, and providing the necessary time and the possibility for developing certain axioms of life in neighborly relations as well as on a broader basis. Turning to the economic difficulties of the Republic, the SDPM chairman said that his party has repeatedly reacted to the negative and harmful consequences of neglecting the economy, which could boomerang on the national economy in the development of Macedonia as a sovereign and independent state. At the end of his introductory speech, Jovanovski said that the future activities of the SDPM must be directed toward the further strengthening of the party and victory in the forthcoming elections.

On the motion of delegate Petko Dobrevski to condemn the SDSM for calling itself social democratic, the report on the work of the organs and working bodies of the SDPM for the past year was approved. Aleksandar Donev spoke on the programmatic declaration of the SDPM, which, as was concluded, may be subject to certain changes. The speaker emphasized the socioeconomic problems of the Republic. He called for floating a public loan and implementing the stipulations of the collective contract, as well as ensuring the efficient social and economic protection of the citizens. After several hours of debate, during the course of which the need for an extraordinary party congress was recognized, the conclusion was reached that the programmatic declaration had to be drafted sooner than originally planned and that the SDPM Central Council would pass a resolution on whether to hold an extraordinary congress and on drafting a program of action.

Toward the end of the conference, 16 new SDPM Central Council members were elected, Boris Paunovski



was elected party deputy chairman, Atanas Zdravkovski was elected general secretary, and Nikola Boshale was elected chairman of the Party Council.

[Box, p 6]

#### **"Elimination of Undemocratic Methods"**

The announcement made by Dragoljub Budimovski, member of the SDPM Central Council, which he was not allowed to read at the conference in its entirety, states that, on 20 May of this year, the Initiative Group for Setting Up a Democratic Faction Within the SDPM was founded "to work for the elimination of undemocratic leadership methods and the creation of an atmosphere of creative democratic relations, and to formulate a political course as a modern social democratic party, as it was intended and presented at its formation and in the course of the electoral campaign." Another principal reason for this, the communication further states, is "to disavow the practice and work style of the SDPM chairman." The description of the work style stipulates that "the choice of delegates to the first conference was irregular and undemocratic. According to available information, a large number of township organizations did not hold meetings with the membership for ensuring the proper election of the delegates."

#### **One-Third of Croatian Army Waging War in Bosnia**

92BA1114A Belgrade POLITIKA in Serbo-Croatian  
21 Jun 92 p 10

[Unattributed article: "A Third of the Croatian Army Is Waging War in Bosnia-Herzegovina"]

[Text] *From documents on the crimes and involvement of the Croatian army: About 40,000 of a total of 72,000 soldiers in the Croatian forces are waging war on the territory of the internationally recognized state of Bosnia-Herzegovina.*

On the basis of statements by prisoners and captured documentation and files, it has been determined that units of the National Guard Corps [ZNG] and the Croatian Defense Forces [HOS] were involved in Kupres, along with Bosnia-Herzegovina paramilitary formations. These include a special platoon from Rijeka that commits the most serious crimes (massacre of the Serbian population and members of Territorial Defense units in the villages of Donji and Gornji Malovan near Kupres). There is also the Vukovar company, the "Yellow Ants" (about 80 people), followed by a company from Posusje and Grude, a pioneer platoon from the 40th Engineering Battalion in Split, a company from the second battalion of the 106th ZNG brigade (Osijek), a company from the first battalion of the first ZNG brigade, the 109th ZNG brigade on the route from Tomislavgrad to Suica.

On 6 April, 500 to 600 members of the ZNG and a large number of Kurds arrived in this area. Barracks were

built in the town of Suica to house HOS troops, and an airport was built to receive agricultural aircraft. On 4 April, aircraft from that airport operated against the villages of Gornji and Donji Malovan.

Between 8 and 9 April, a ship loaded with seven T-55 tanks arrived in Rijeka; they were later transported from Split to Livno.

The Croatian Supreme Command is still sending forces to the area of Bosnia-Herzegovina. Thus, on 12 April it sent in fresh troops. In Bosanski Brod, the bridgehead was reinforced with a 105-mm battery, and the Supreme Command is trying to consolidate some of the defeated forces in Kupres in the Split operational zone.

#### **The Liburnija Is Bringing Not Only Peacekeepers but Also Weapons and Soldiers**

In the area of western Herzegovina, on 16 April, on the route from Stolovi to Vitina, positions are being held by members of the 115th ZNG brigade, and on the Vlake-Glimina-Hutovo route, by a battalion from the 116th ZNG brigade. New forces from the 114th and first Zagreb brigades have been observed in both areas.

In the area of Herzegovina, fresh troops have been brought in since 17 April. There are about 30,000 members of the Croatian army there around Capljina and Neum. On the next day, 13 Sherman tanks arrived in Dubrovnik on the ship Liburnija. A central station for the needs of the 4th brigade of the Croatian army is located in the town of Klek. On 18 April, the first battalion of the Croatian army left on buses from Split for Metkovic, and two days later, new forces arrived in the area of Metkovic and Mostar.

From the area of Daruvar and Pakrac, where the UNPROFOR [UN Protective Force] forces are deployed, on 21 April all the Croatian army units that were on the battlefield left for Herzegovina and the Neretva valley. Mortars and shells have been delivered from Imotski for the 4th brigade of the Croatian army, and a large convoy of weapons and equipment from Germany was delivered for other units of that army in the Neretva valley in Herzegovina.

On orders from the Main Staff of the Croatian army, the Split sixth zone is organizing a course for reconnaissance from the territory of Herzegovina, which began on 24 April. That zone's reconnaissance company is deployed in Neum.

A team from the Main Staff of the Croatian army also organized a course with the brigade and battalion commanders and the commanders in the Livanj area, and combined units into a brigade known as "King Petar Kresimir the Fourth." With the successive arrival of forces from Croatia, at the beginning of April Croatian regular forces with a strength of over three brigades were involved in that area, along with the locally mobilized HDZ [Croatian Democratic Community] personnel. Their nucleus consists of parts of the 101st, 106th, and

115th brigades of the Croatian army, as well as one company from the first battalion of the first brigade of the Croatian army, along with one HOS company from Grude, an HOS company from Posusje, the "Yellow Ants" special unit (the Vukovar unit, 50 people), a special platoon from Rijeka, and a platoon from the 40th Engineering Company from Split.

#### **Military Training Center in Medjugorje**

On 11 May, 1,500 newly mobilized members of the Croatian army were sent to the Livno-Tomislavgrad area from Rijeka to replace some of the personnel. A medical team from the Croatian army was sent to Tomislavgrad, where a large column of motor vehicles also arrived with members of the Croatian army.

On 28 March, 800 Croatian soldiers were transferred from Imotski to Neum, on 4 April a battalion left Metkovic for Capljina, and on the same day, 30 Stinger missiles were delivered to Mostar for HOS members.

In the broader Imotski region, on 9 April the 115th brigade of the Croatian army and one battalion were located in Neum. Around Capljina (Dretelj, Gornji Trebizat) there are 500 to 600 members of the Croatian army, and in Medjugorje, there are 200 to 300 of them, and there is also a training center there and 20 to 30 Stinger missiles.

On 10 April, about 5,000 HOS and ZNG members were housed in hotels in Basko Polje, Baska Voda, and Kravice. These forces were intended for battles in western Hercegovina, the Neretva valley (between Ploc and Mostar), and north of Neum. Croatian army units controlled all the approaches to the city and were robbing military apartments.

At the end of April, the Croatian army began selective attacks against military installations, and with machine gun, sniper, and mortar fire, particularly provoked JNA [Yugoslav People's Army] units in the Neretva valley. Soon afterward, a general attack began against the Serbian villages of Tasovcici, Klepci, and Prebilovci.

On 2 May, one Croatian army battalion and a unit from Zagreb arrived in Hutovo. At the same time, parts of the 114th, 126th, and 142d Croatian army brigades were on the Hercegovina battlefield. There were intensive attacks against all military installations in Mostar, members of the Serbian nationality were arrested, abandoned apartments were robbed, and residents were driven out. On 3 May, a reconnaissance company from the Split 6th zone arrived in Klek, and on 6 May new forces arrived in Mostar.

On 7 May, the Split-Kastelan regiment left Split for the Hercegovina battlefield, where it operated on the routes leading from Listica toward Mostar. Three days later, the first ZNG brigade arrived, and on 23 May, the first, fourth, 113th, and 144th Croatian army brigades arrived in eastern Hercegovina, after the withdrawal of the JNA.

On 26 May, the Croatian armed forces began attacks from Tarcin and Konjic against Bradnina and Ivan-Sedlo, in order to unblock the Konjic-Sarajevo road and link up with the HOS forces in the Pazaric region.

#### **Instead of UN Forces, Croatian Army Units**

After the withdrawal of the Boka naval sector forces to the Zvekovica-Obod-Plat-Makose-Ivanica-Knezica-Mlini-Zaplanik positions, on 28 May Croatian army units, not observing the Vance peace plan, occupied positions which, according to that plan, were supposed to be under UN control. The Croatian forces brought 203-mm howitzers to Rupni Dol, and involved two armored units, "Blue Thunder" and "Desert Fox," in an attack against the village of Ravno.

On the last day of May, the Croatian army occupied the village of Ravno and operated against the suburb of Trebinje with 20 shells from 130-mm cannons. The Croatian army command assisted in the battles in Posavina and eastern Hercegovina, and on the first day of June, sent the first Croatian army brigade to Hercegovina.

On the same day, the Croatian army destroyed the bridge on the Neretva near Bijelo Polje, not far from Mostar. Columns of motor vehicles with ammunition and weapons moved more and more frequently from Zagreb to Konjic, from which they continued on to other destinations.

Also on 1 June, a ship departed from Rijeka for the Hercegovina battlefield with two tanks, as well as three tugboats with a collapsible bridge and about 1,000 members of the Croatian army. On the next day, another Croatian army unit arrived on the Hercegovina battlefield from Pula. There are currently three Croatian army brigades in this area (the 113th, 114th, and 158th brigades).

#### **Overview of the Croatian Army Units Involved on the Territory of Bosnia-Hercegovina**

Northeastern Bosnia: the equivalent of five or six Croatian army brigades (the 108th, 124th, 103d, 139th, and parts of the 101st, 109th, and 131st), a total of 10,000 to 12,000 people.

Western Hercegovina and the Neretva valley: the equivalent of 10 brigades (the 4th, 116th, 126th, 142d, 155th, 156th, 119th, 114th, 110th, and 116th), a total of about 20,000 people.

The area of Livno, Duvno, and Sujica: the equivalent of three brigades (the 106th, 109th, and parts of the 115th, and the 1st and 4th ZNG brigades), a total of 6,000 to 8,000 people.

The area of eastern Hercegovina: the equivalent of three brigades (the 113th, 144th, and 158th, and the "Blue Thunder" and "Desert Fox" armored units). Some of these forces have been involved in the broader area of

Dubrovnik. An offensive is under way by these forces, whose artillery has pounded Trebinje and Nevesinje.

It has been determined that the Croatian army is keeping forces on the territory of Bosnia-Herzegovina that are equivalent to 21 to 22 brigades, whose personnel amount to a total of 35,000 to 40,000 members, which represents a third of the total potential of the Croatian army, which has 72 brigades.

#### **Croatia's Tomac on Military Pact With Bosnia**

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20 Jun 92 p 17

[Article by M. Jaksic: "The Croatian Government Is the Creator of Croatia's Military Alliance With Bosnia-Herzegovina"]

[Text] *Zdravko Tomac refutes the Croatian Foreign Ministry. The Croatian Foreign Ministry refuted Gianni de Michelis, who stated that he had information about the accumulation of Croatian troops on Croatia's border with Bosnia-Herzegovina and a military alliance between those states, but the deputy prime minister of the Croatian Government claimed that such an alliance had been established.*

Zagreb, 19 Jun—The Croatian Foreign Ministry has refuted Italian Foreign Minister Gianni de Michelis, and Deputy Prime Minister Zdravko Tomac has refuted the Croatian Foreign Ministry.

Today, in fact, by means of a public communique issued through the Croatian media, the Foreign Ministry denied De Michelis's information, from which it appears that Croatia is accumulating military forces on the border with Bosnia-Herzegovina, and denying at the same time any sort of military alliance between the two neighboring states, while Croatian Deputy Prime Minister Zdravko Tomac presents the opposite facts in the latest issue of GLOBUS. According to what he said in that newspaper, it was precisely the Croatian Government that made the decision on Croatia's military alliance with Bosnia-Herzegovina. Here is how Tomac

explains the reasons and the decision on the military pact between the neighboring states:

"The Croatian Government crossed the Rubicon one day and said in its conclusions what it had to say and what it had a right to say and what no one can dispute. The Croatian Government's conclusions actually offered the legal and legitimate authorities of Bosnia-Herzegovina a joint struggle, which in a way was also the subject of the talks in Split between the HDZ [Croatian Democratic Community] and the SDA [Party of Democratic Action]. The Croatian Government proposed to the Government of Bosnia-Herzegovina joint action in all areas, including the military area, in the region of northern Bosnia and Herzegovina, i.e., in the border areas of the two states, in order to prevent the achievement of the enemy's principal military goals in the Sava and Neretva valley, because those goals are equally directed against the state of Bosnia-Herzegovina and against the state of Croatia....

"Consequently, the agreement between the two sovereign states, the two governments, and Presidents Tudjman and Izetbegovic, whose joint statement has historic significance for both peoples, is legal and legitimate, and no one can dispute it, and no one can criticize it, because it has to do with a defensive alliance," Tomac wrote, thus denying the denials of the Croatian Foreign Ministry.

Tomac devoted particular attention in his article to the "transportation corridor in the area of northern Bosnia between Serbia and Bosanska Krajina," emphasizing, among other things, the following: "The paramount combat task for Croatia and Bosnia-Herzegovina to prevent with all their strength the establishment of a territorial corridor among Serbia, Banja Luka, and the occupied areas of Croatia. Unless it succeeds in this, the Croatian state will be exposed to a fatal danger.... If Bosanska Krajina and the occupied territories in Croatia, from western Slavonia to Knin and Zadar, remain isolated in terms of transportation for a long time, Serbia and the Serbs will have to capitulate," Tomac wrote in conclusion.

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